

JULY 7, 1986

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

OAK HITS M/A-COM WITH PATENT VIOLATION SUIT

CTAM CONVENTION JOINS DEBATES ON PRICING, PPV

PURVEYORS FLOCKING TO EXPLOIT HOME SHOPPING BONANZA

SMALL OPERATORS HANGING TOUGH IN A SELLERS' MARKET

OFF-PREMISE GEAR MAKERS SEE NICHEs, DESPITE RESISTANCE

**SHOWTIME AT YEAR TEN:
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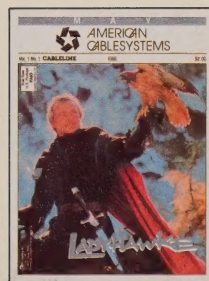
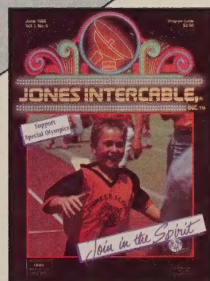
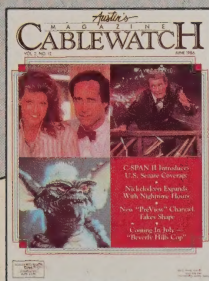
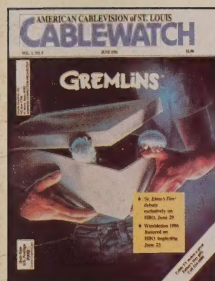
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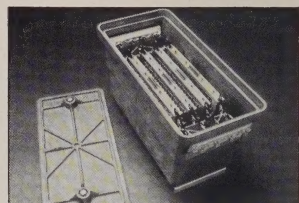
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BETWEEN THE LINES

There's always next year

There have been times over the past couple of years when anyone rooting for the realization of cable's potential as the preferred national television medium must have felt like a Chicago Cubs fan. Most of the right ingredients were there for long-term success, but would the management take the final steps to plug the weak spots and pull together a winning machine?

If the picture of an activist cable leadership that lingers in the aftermath of the recent Cable Television Administration and Marketing Society convention is any indication, the days of uncertainty and disappointment for cable fans in the media bleachers may be coming to an end. Suddenly, it seems, the cash-flow rich free agents that are today's MSOs have moved from giving lip service to the idea of interdependency to truly recognizing that no matter how high the short-term batting averages might be, they are not going to get where they want to go without teamwork. Cable conventions have always provided plenty of give and take in the information realm, with those who pay attention to the experiences of others gaining good insights into their own businesses. But more than information exchange was at work at CTAM and is at work throughout the industry in the continuing public and private discussions about industry issues.

Of course, the impetus behind this new level of cooperation and discussion is competition—from video rentals, from broadcast television and from the myriad entertainment alternatives available to American households. At times, the tendered approaches to meeting this competition have sounded a bit shrill, with dramatic new programming moves, new images for cable, securing a base in DBS and flying blindly full speed ahead into pay-per-view among the more drastic proposals. But out of these floating ideas has emerged some consensus that bodes well for meeting the challenge of staying in it for the long run, which was the theme of the CTAM show.

Perhaps the most significant consensus point concerns pay-per-view. The out-and-out naysayers are in a shrinking minority, but now that PPV is widely viewed as a significant element of the industry's future, there is general agreement that the transition to addressability and PPV must be made with caution and with much attention to the experiences of everyone involved in the myriad market experiments. The good news here is that with widespread concurrence on the advantages of on-demand delivery of programming in the abstract, progress won't be obfuscated by continuing debate over whether the basic concept is a good idea. As a result, there could be rapid progress from the current status of the fledgling on-demand business as a test bed swarming with competing strategies to a mainstream, fairly cohesive enterprise with the full backing of Hollywood. John Motavalli's account of the thinking at CTAM on PPV supplies some of the details about where things appear to be headed (p. 16). An account of the early returns on the Jerrold Cable Video Store tests provides further clues (p. 24).

What appears to lie on the immediate horizon is an industry-wide plunge into PPV experimentation going well beyond the dabbling here and there that has marked development up to now. With so many questions pertaining to the depth and variety of programming, addressable hardware performance, the alternatives in impulse technology, billing and marketing yet to be resolved, there is no way to view the next stage of development as anything but experimental. But it is experimentation with a sense of major opportunity virtually assured once the appropriate solutions are found.

On the other side of this full-scale experimentation is an industry future which could well be a drastically revised version of the business as we know it today. Once addressability and impulse buy capability are in place on a massive scale, the programming and marketing opportunities will, in a real world environment, mirror those that underlay the visionary impetus behind cable's push into the major metropolitan centers of the country. This portends, finally, the full exploitation of cable's broadband wireline advantage over competing technologies, which, in the long run, may be the greatest assurance against the competitive threats that today are consuming the attention of industry leaders. Pay-per-view may only be the beginning of a transformation that could prove the two-way highway visionaries right after all, even if the return lane on that highway is supplied by the telcos.

—Fred Dawson
Executive Editor

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THE NEWS AND FEATURES WEEKLY OF THE CABLE TELEVISION INDUSTRY

JULY 18, 1989

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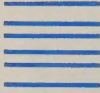
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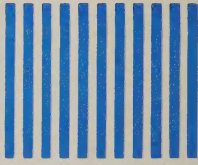
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Tribune to buy Daily Press

The Chicago Tribune and The Daily Press, a Newport News, Va.-based MSO and publisher of the local newspaper there, have reportedly shaken hands on an agreement whereby the Tribune Co. will buy The Daily Press. The cable operations serve approximately 60,000 Virginia subscribers, while the newspaper has a circulation of approximately 100,000. Applying a conservative \$1,000 per subscriber for both the cable and the newspaper properties, the deal should be worth at least \$160 million.

The two families who owned The Daily Press decided several months ago the market was at a high and now was the time to get out. The company has been up for bid to a select group of firms, including Gannett, Knight-Ridder, Hearst and Ingersoll. Shearson Lehman Brothers has been handling the transaction for The Daily Press.

On April 30, Tribune completed the sale of eight of its 15 cable systems to Jones Intercable for \$145 million. Agreements have been reached for the sale of the remaining seven. When the sale of the cable systems was first announced last winter, the decision was seen as a method for raising cash to help pay for the \$510 million acquisition of KTLA-TV in Los Angeles. Tribune may now be thinking of spinning off the Virginia cable properties in order to pay for the acquisition of the newspaper. Both companies declined to comment.

Viacom shooting for top

Over the next three years Viacom intends to mount an assault on the dominant position HBO has traditionally held in the pay television market. According to Ken Gorman, chairman of the Viacom Cable Networks Group, the multi-faceted media company wants Showtime to capture 50 percent of the pay TV market within the next three years. "It'll take a lot of money," he conceded, but the company is determined to make a go of it.

And how will this marketing feat be accomplished? Showtime is going to have to more than double the number of subscribers it now serves to attain that 50 percent market and will attempt to do so through exclusivity, and, more importantly over the long-term, through original programming, said Gorman.

Not willing to stop there, the Viacom executive also said he is looking to be the No. 1 purveyor of pay-per-view programming to the industry and the No. 1 marketer of programming to the TVRO industry—all this within three years. Apparently, there is a limit to Viacom's largesse, however. The Warner/HBO deal is "more than double what Viacom was willing to even consider," said Gorman. Gorman's comments in a phone interview came after completion of the feature marking Showtime's 10th anniversary, which appears on page 22 of this issue.

New backing for Discovery

Expect expanded programming hours and a five cents per-sub fee from The Discovery Channel next January, now that the network has new financial backing from four leading MSOs.

Tele-Communications Inc., Cox, United Cable and Newhouse, all schooled in the art of co-financing industry enterprises from EventTelevision to Cable Value Network, obtained 10 percent shares in TDC late last month. Group W Satellite Communications, the channel's affiliate rep since

its launch more than a year ago, also put up a 10 percent investment. New York Life Insurance Co. remains TDC's largest shareholder with 18 percent equity.

Dollars from those investment contracts will be spent on new program acquisitions and a conversion from 12- to 18-hour service Jan. 1. The longer schedule will coincide with TDC charging affiliates 5 cents per household each month. In return for that support, network executives promise to hold the rate through 1991 and dispense 20 percent of annual advertising revenues among operators beginning in 1989.

Date set for must-carry rule

Key members of Congress have told FCC Chairman Mark Fowler that they expect the commission to issue its must-carry decision by Aug. 7, and that any new rule must include protections for public broadcasters and new stations. "The point of sending these letters," noted a key House staffer, "is that the Aug. 7 date better stick."

In a June 25 letter, Senate Commerce Committee Chairman John Danforth, R-Mo., termed the cable-broadcast industry association compromise a "good point of departure" for the FCC's must-carry decision. Danforth warned, however, that the FCC must ensure that "the interests of public television stations and new entrants are more carefully recognized in its final rule."

In the House, John Dingell, D-Mich., Tim Wirth, D-Colo., and James Broyhill, R-N.C., sent a joint letter to Fowler expressing similar concerns. Both the House and Senate letters warned Fowler that any solution involving an A/B switch would not be supported by Congress.

Congressional concern for new broadcast entrants elicited this response from NCTA President James Mooney: "We, too, sympathize with the ordinary man in the street who can barely scrape together the \$5 million or \$6 million necessary to start up a new broadcast station, but cable has its problems as well. There have been cable programming services which have lost millions a month because unreasonable must-carry rules crowded them off cable systems."

Another HSN-type network?

Comp-U-Card International will let the cable industry know later this month if a video merchandising network will emerge from its corner before the end of 1986. So says Walter Forbes, the man at the top of the country's largest electronic shopping business. Through a mix of database and telephone subscription programs, Comp-U-Card offers some 6.8 million households discounts on 250,000 consumer goods, plus travel, banking and insurance services.

The company will mount a challenge to Home Shopping Network, Cable Value Network and other cable retailers if it can split the expenses with another company; discussions with several deep-pocketed potential partners are underway, Forbes maintains. "It's time to get in, but we're not interested in serving up a 'me-too' version of what's out there now," adds Comp-U-Card's chairman. "We want to put together a comprehensive package that sells a broad range of services as well as merchandise."

Such an ambition is not new for the company—back in 1982, officials developed *Shopping By Satellite*, a nightly CBN Cable hour in association with Metromedia, and *The Shopping Channel*, a multi-hour service for Times Mirror systems. The CBN project was scuttled close to its national premiere date because of financial difficulties, while *Shopping Channel* never passed the testing stage.

Oak sues M/A-COM alleging violations of patent on encryption technology

WASHINGTON—In a lawsuit which could further snarl the politically complicated scrambling picture, Oak Industries Inc. has alleged that M/A-COM's VideoCipher II scrambling system—chosen as the cable industry standard—violates Oak patents for its Sigma encryption technology.

Oak filed suit June 17 in the U.S. District Court in Norfolk, Va., charging that by selling the VideoCipher II system to cable programmers and operators, M/A-COM has infringed on three Oak patents. In the suit, Oak seeks unspecified monetary damages and "preliminary and permanent injunctive relief." An injunction, according to Oak Communications Inc. President John Donahue, could force M/A-COM to "cease and desist selling VideoCipher II."

Both Oak and cable industry officials stressed that the lawsuit is a dispute between private parties and that the action does not signify an attempt to undercut the industry's scrambling plans. Key sources warned, however, that an injunction against M/A-COM could work against cable's scrambling position on the Hill.

In the lawsuit, Oak alleged that VideoCipher II violates patents Oak holds for techniques involving both signal scrambling and satellite addressability. Specifically, Oak charges that M/A-COM's use of sync pulse suppression to encrypt the video signal and the digital encryption of the audio feed violates Oak patents for those technologies, according to an Oak engineer.

M/A-COM claimed last week that the Oak allegations were without merit. "We have been sensitive to patent issues for a number of years," noted one senior M/A-COM official. "All the advice we've gotten is that it is not a serious claim at all."

Donohue, however, noted that Oak "has been aware of these infringements for some time," and that the decision to file suit was made "strictly on the basis that we are protecting our rights." According to Donohue, Oak first notified M/A-COM of the alleged patent violations in January. "We wanted to settle," he claimed, "but M/A-COM chose not to." Neither Donohue nor M/A-COM officials ruled out the possibility of a settlement before the case comes to trial.

Donohue also claimed that Oak is

"sensitive" to the industry's perception of the suit. Oak officials met with key Congressional staffers and National Cable Television Association President James Mooney when the suit was filed, Donohue said, in an effort to persuade NCTA and Congress that the action did not represent an effort by Oak to derail scrambling.

Industry leaders, however, were clearly dismayed by the timing of Oak's action. "I told them I didn't think their timing is terrific," stated Mooney. Sources within NCTA suggested that Mooney was "appalled" at the move.

"This is very ill-timed for the amount of confusion it can now cause within the marketplace," added an official with one major cable programmer.

On Capitol Hill, however, key officials noted that the lawsuit itself shouldn't have an impact on any policy decisions concerning scrambling—but cautioned that could change should the court rule in favor of Oak and force M/A-COM to discontinue distributing VideoCipher II units.

"I don't think the whole thing should have any effect," said Tom Rogers, senior counsel to the House telecommunications subcommittee. Rogers noted that "obviously, someone who wanted to could make a case that the technology is questionable," but

added that since Congress is leaning away from a scrambling moratorium and is instead focusing on practical solutions, House leaders "may be hesitant to readdress the question of whether or not to scramble."

In the Senate, Roy Neel, an aide to chief TVRO proponent Albert Gore, D-Tenn., echoed those sentiments. "This may not have an impact on anyone," the aide said, conceding that the lawsuit represented "one more stone tossed into the pool of confusion" surrounding scrambling.

However, a temporary injunction against M/A-COM "could unscramble things for a while," Rogers cautioned. Neel added that an injunction "could be a problem," and that he "would hope that programmers would take that into consideration."

Although Oak plans to press for an early court date to make its claims, sources speculated that any injunction will be difficult to obtain, since Oak would have to prove that "irreparable harm" would result from M/A-COM's continued sale of VideoCipher. And should M/A-COM eventually lose the case, the likely result would be that the company would be forced to obtain a license from Oak in order to continue distributing VideoCipher II, these sources predicted.

—John Wolfe

New players abound

Video merchandising nets counting on channels opening

NEW YORK—For all its faddishness, the cable industry has seldom if ever seen so many entities leaping on a bandwagon as it has seen in this dawning age of cable-delivered video merchandising networks. The question, of course, is how good are the chances that those players, and would-be players, will make a going concern of their new ventures.

Members of the cable, retailing and investment industries are trying to answer that question amid a flood of developments over the last month involving current and prospective participants in the genre. Among the more recent happenings are the following:

- Horn & Hardart is the latest firm to disclose plans, with a launch of a 24-hour channel slated Sept. 15, utilizing the resources of its Hanover House catalogue/mail order business. The network, Hanover's Value Line, also may attract Lorimar-Telepictures, one of the nation's largest television production and syndication companies, as its chief program creator and/or outside investor.

- Three other companies earlier declared their intent to start national retail services: Cable Shopper's Network, originating from Jewelcor, a New York-based jewelry distributor; *Continued on page 18*

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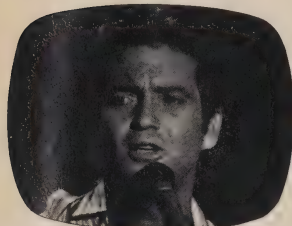
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Activist mood pervades 10th annual CTAM show

BOSTON—Forthrightness and an aggressive, problem-solving mood prevailed at the tenth annual Cable Television Administration and Marketing Society convention last week, with strong warnings to operators to stick to "moderate" price increases underscoring the commitment to realism. A study commissioned by CTAM showed multi-pay subscriptions to be particularly hard hit after price increases, a finding of grave concern to services that depend on multi-pay sales.

Although most operators were not ready to reveal pricing plans, many said they were well aware that major price increases could be disastrous, and Trygve Myhren, CEO of American Television and Communications and chairman of the National Cable Television Association, even warned that a plethora of big rate hikes could produce a "death scenario" for the cable industry.

Added Terrence Elkes, CEO of Viacom International, "We have to avoid the short-sighted view of simply driving up rates in order to maximize profits."

Besides avoiding draconian price hikes, some of these ideas, repeated by numerous convention participants, consisted of calls for standardized channel positions for basic channels, general support for increased operator commitment to programming—albeit without any generally agreed-upon formula for achieving this—and pleas for better subscriber research and greater marketing commitment from operators.

Representatives from the pay services were quick to point out that, although the data in the CTAM study, gathered by the research firm Browne, Bortz & Coddington, was not totally new to them, it contained serious indications of potential problems for the future of pay in a deregulated environment.

As presented by Jack Pottle, director of Browne, Bortz & Coddington, the CTAM study certainly justified concern at the pay networks. The study examined 75 basic-rate price increases, with each of them containing extensive data for the quarter before and after the hikes.

Of the systems studied, the average system had 30 channels, served 53 percent of homes passed and had a pay-to-basic ratio of 82 percent. With a 10 per-

cent to 15 percent price increase among these systems, Pottle explained, basic penetration was unscathed, with 44 percent actually increasing, 31 percent staying the same and 25 percent declining. "Among the 75 price changes," he added, "pay declined 2 percent at the time of the price increases, even though the pay rate stayed constant at 14 of the 75 systems."

Seven of the systems dropped their pay rates by 5 percent or more and actually increased pay penetration by over 3 percent, he said. While losing pay revenue, the systems increased their revenue per sub and per-homes passed by more than 5 percent, he noted.

In a separate study of 43 price changes that contained more extensive data over four quarters before and after the price hikes, the pay-to-basic ratio declined from 82 percent to 77 percent, a loss of 5 percent. For these systems, multi-pay declined most rapidly, by 6.3 percent for three-pay subscribers, even with pay hikes that averaged less than \$1.

While the reporting systems in all these categories were thus reporting lower revenues from multi-pay customers, the greater revenue "more than compensated for any loss in subscriber penetration," Pottle said.

In order to make basic cable more attractive in the deregulation environment, several executives at the conference urged standardization of channel

position. "It's the single best thing that we can do to increase the image of basic cable," argued Don Lachowski, vice president for marketing services at Turner Broadcasting System.

"The must-carry rules going away allow us to do that in a way that we couldn't before," added ATC's Trygve Myhren, who also asserted that the cable industry should abandon its automatic assigning of broadcast channels to their own channel number.

For increasing cable channel penetration, executives also called for a greater sharing of market research data between cable services and operators. Pete Gatseos, vice president of consumer research and planning at ATC, decried what he termed "paranoia" on the part of cable services in sharing data. "They're so fiercely competitive, that they're paranoid about giving out discouraging data," he noted.

Marshall Cohen, senior vice president for network and corporate services at MTV Networks, said the last few years had seen a heartening increase in operator commitment to research studies, with one small MSO, Prime Cable, spending "six figures" on individual studies.

Cohen presented results of a study he conducted revealing that cable research professionals had identified the measurement of price-value relationships to be the biggest problem in the industry. The study showed MSOs spending an average of 4 percent more for market research in 1986 than they had last year, while basic programmers are spending 30 percent more and pay programmers are spending 3 percent less.

—John Motavalli



The opening session of the CTAM convention in Boston, termed "Off and Running," featured panelists, from left to right, Paul Bortz, managing director of Browne, Bortz & Coddington Inc.; Joel Segal, executive vice president of broadcasting Ted Bates Advertising; Trygve Myhren, chief executive officer of ATC; Terrence Elkes, chief executive officer of Viacom International; and, Adam Stagliano, senior vice president of The Yankelovich Group.

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PPV vital to industry's future, say leaders at CTAM confab

BOSTON—At CTAM pay-per-view sessions marked by contentious claims, a variety of industry figures agreed on one thing—PPV is key to a successful cable future.

"For years the industry has been talking about the promises of pay-per-view," noted Jerry Maglio, executive vice president of marketing and programming at Daniels & Associates Inc. "But momentum finally seems to be building."

Central to the debate was the underlying theme that the period of early experimentation, in which PPV had to prove it was a viable business, is nearing an end, with the main task for operators now being to choose from a variety of delivery and ordering options, each promising the most effective long-term profit centers. Observed Barry Lemieux, president and chief operating officer at American Cable-systems Corp., "If the truth be known, none of us know the direction of this industry, but there's a consensus building that we've got to get agres-

sive about it. Ignoring the home video industry is kind of like ignoring Japan."

The hotly contested rate for operators attention from rival PPV delivery systems is likely to be the main focus for the foreseeable future, and judging from the amount of heat generated from competing PPV service assertions, it's likely to be a lively competition.

With the notable exception of the nation's largest MSO, Tele-Communications Inc., a variety of operators at CTAM were bullish about investing in addressability, with many saying that the PPV revenue stream was a determining factor.

Nimrod Kovacs, vice president of marketing and programming at United Cable, said PPV looked particularly attractive to United because, "from an operator's perspective, there are a lot of ways to make extra revenue. The easiest is to make a price increase, but we have a tendency to want to do something less risky first."

TCI's Senior Vice President John Sie, while hastening to point out that the company had the software necessary to convert to addressability, asserted that PPV was not enough of a business yet to make an instant argument for purchase of addressable converters.

For most operators, however, the economics of the industry are improving, especially given a pledge from one of Hollywood's most enthusiastic PPV supporters, Alan Cole-Ford, vice president of video distribution at Paramount Pictures, that the current 50-50 split prevalent in the industry would be improved to benefit operators. "The splits will improve," he promised. "I don't think the 50-50 environment will continue."

Most operators were clearly weighing the claims of the individual PPV delivery services closely, however, with Jerrold's "Cable Video Store" concept, and its 200 plus percent average buy rates (see accompanying story this issue) generating considerable debate. Hal Krisbergh, vice president and general manager of Jerrold's Subscriber Systems Division, said the six-system PPV "experiment" had shown that cable customers would use PPV

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two-way impulse technology to access a library of titles much in the style of a video store, with the results approximating the 300 percent buy rate common in such retail outlets. Krisbergh said some "Cable Video Store" titles, which are priced from between 99 cents and \$3.99, were individually generating 30 percent buy rates, and those systems participating in the test were making an average of \$11 a month in revenue per test participant.

Krisbergh's results were sharply questioned by two other suppliers, Showtime's Viewer's Choice and Request TV, who argued that Jerrold had distorted the usual meaning of the term buy rate in their test. Scott Kurnit, executive vice president and general manager of Viewer's Choice, said simply: "The Jerrold test is not as successful as it appears on the surface. We haven't defined our terms; what is a buy rate?" He cautioned, "A one percent buy rate on a \$25 item is better than a 25 percent buy rate on a 99 cent ticket." Request TV President Jeffrey Reiss added that, since Jerrold's test involved only the 20 percent of customers most receptive to PPV, "you're really only talking about a 60 percent buy rate across the entire addressable

universe, which is about the same as the New York Times system had been getting."

Kurnit, defending the concept of a hit-driven service, asserted that "there's no way that a broadcast medium like cable can compete with a video store," adding that to do so cable would have to offer about 3,000 PPV events at once, the equivalent of a video store's library. But Paramount's Cole-Ford countered that "the core of what the Jerrold test shows is that, one way or the other, subscribers are willing to pay \$1 and \$2 for pictures that they could have seen months before on pay TV. They're telling us something about the sensitivity to windows, that it's the configuration of the system, not the window, that is important."

A variety of operators also offered hands-on experience supportive of investing in addressable equipment. William Schelyer, vice president of operations for the New England region at Continental Cablevision, said two-thirds of the subscribers in Continental's 30 New England systems are addressable, and the MSO has been averaging \$3 per sub in monthly PPV revenue this year in these systems.

"Even if you're not planning on doing pay-per-view for a couple of years, you have to preserve the pay-per-view option," he asserted, adding that addressability also helped the MSO handle delinquent accounts, increased customer satisfaction and increased pay penetration.

Continental's New England systems, Schelyer explained, enjoy a 60 percent pay-to-passings ratio, compared to a 49 percent pay-to-passings ratio average in the top 50 MSOs. With an average \$15 per-sub revenue from pay customers, a savings of \$2.44 per customer in truck trips plus the extra revenue generated from PPV, Schelyer said, Continental computes it is enjoying about \$21 extra income per addressable sub. By subtracting a variety of factors, such as converter loss, higher repair and computer interface costs and marketing and franchise fees, Schelyer said the company is still making a net benefit of \$15 per sub per year by going addressable.

TCI's Sie said 97 percent of his company's subs are "addressable capable," with software on hand to deliver addressability "tomorrow if we see the economic need."

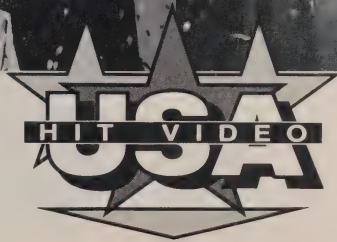
—John Motavalli



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Continued from page 12

QVC Network Inc., developed by a group of former Franklin Mint executives; and Consumer Discount Network, a newly-created division of Entertainment Marketing headquartered in Texas. Officials from each firm maintained that their respective enterprises will premiere by the end of the year.

- Home Shopping Network, presently the lone operator of 24-hour national video retail channels, authorized a private placement June 24 under which individual MSOs will have the option of buying up to 2.5 million shares of the company's common stock in exchange for three-year affiliate contracts. Many analysts interpret the decision as a direct counter to recent decisions by Tele-Communications Inc., Warner Communications, ATC, and other industry firms to take equity positions in Cable Value Network. HSN broke off its affiliate relationship with TCI earlier this month, when the service was replaced with CVN in several TCI franchises (*CV*, 6/23/86, p. 11). HSN executives were unavailable for comment at presstime; Cable Value, running as an eight-hour TCI/C.O.M.B. (Closed-Out Merchandise Buyers) production since mid-April, will become a full-time service Aug. 1.

- Financial News Network and Tempo Television were expected to conclude deals that will turn portions of their lineups into shopping forums before mid-October. FNN, targeting late night and weekend hours for its venture, will choose a joint venture partner from among 14 candidates, while Tempo, accompanied by American Shopping Channels Inc. and Consolidated Stores International, has four two-hour segments tentatively blocked for a daily merchandising presence.

Home Shopping Net's meteoric sales performance over the past year—and stock market reaction since May—is the main catalyst behind the boom in video retailing, most MSO executives and financial analysts conclude. The service made \$11.4 million in net income on revenues of \$106.7 million during its first nine months of national operation. Results like that helped escalate HSN stock past \$100 a share by late last month. The company's public offering debuted at \$18 per share two months ago.

But some observers warn that HSN's position may become a vulnerable one later on if a majority of top MSOs reject its stock equity offer and create alliances with Cable Value or other players. On the other hand, HSN

has much leverage at its command because of its marketplace success so far. As a result, affiliates run the risk of alienating subscribers if they attempt to bump it off for someone else. TCI's HSN/CVN changeout at its Pittsburgh franchise touched off local protests and subsequent news coverage.

George Douglas, American Cable-systems' senior vice president of marketing and programming, sides with cable executives who feel that the shape of the video shopping market will be determined by how strongly programmers differentiate their formats and how much incentive they offer operators in the form of equity participation or per-order compensation plans. "The industry has discovered what home shopping is all about," Douglas observed in an interview. "No fancy graphics or interactive buttons attached to a converter box, just straight-ahead basic merchandising where live people show products off. It's the right formula—the issue is, who gets the shelf space?"

Three or four players will, if they play their cards right, responded Howard Wall, president of Post-Newsweek Cable. "Who gets the success rests upon the entertainment value of the programming and the value and quality of the merchandise," he noted. "As long as there's some diversification, several of them can become profitable, but I don't expect to see this type of fare run rampant and take up many channels on a system."

Other MSO chiefs figure that two full-time shopping services will be a typical cable system's limit because of channel capacity restraints. That argument doesn't cut with most of the offi-

cers behind present or future merchandising ventures; in their view, if a service offers enticing product in a comfortable format that draws solid audience attention, the system will bend over backwards to make room.

Not surprisingly, participating retailers describe video shopping's potential in heady terms. "There are going to be lots of channels, lots of players and lots of customers," maintained Donald Schupak, Horn & Hardart's vice chairman. "We'll see a line of specialty services that will find niches the major ventures miss. This is going to break the cable industry wide open."

Indeed it could—several ways over, according to Eberstadt/Fleming Media Analyst Mark Riely. "Look at HSN," he explained. "One network with less than a modicum of production values is stimulating an incredible amount of impulse buying. One can assume that if you can bring an audience in front of the set and keep them around with entertainment and decent merchandise, it will trigger impulse buys. What type of product the formula will and won't work for remains to be seen, but it could be a major breakthrough for cable because it can bring new subscribers and additional revenue to the bottom line."

Alan Gottesman, Riely's equivalent at L.F. Rothchild, cautioned operators not to develop foolhardy attitudes about the market's potential. "The climate is moving too fast right now to get a good near-term picture, plus it's way too soon to judge who will have the staying power," he noted. "People were eager to get into pay when HBO started, thinking it would be a high-



HSN, pulling the "impulse-buy" in the home and on Wall Street.

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July 1-14 • Addressable Testing

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NEWS**

sky industry. Eventually, everyone hit a wall, and there will be a wall here." And one sure way for that wall to emerge is if every new start-up copycats HSN, Cable Value, Pratico TV Shopper's Showcase or any other current performer, several analysts predicted.

"If they do, they'll go out of business," added Dr. Earl Brian, chairman/chief executive officer of Financial News Network. "You have to make the presentation interesting in order to attract the viewer and sell the product."

Horn & Hardart intends to spice up its proposed service by selling vacations, furs and exotic objects together with household merchandise. Eighteen hours each day will be given over to magazine-format programs that will contain game and talk show elements, auctions and celebrity appearances. The rest of the schedule will be devoted to specialty merchandise hours. "We're looking for a combo of *The People's Court*, *Let's Make A Deal* and pure entertainment," Schupak said.

On his end, Schupak noted that Lorimar-Telepictures (the distributors of *Court and Deal*) "have an agreement of understanding" to serve as Value Line's production arm and possibly as a key investor.

Tempo, Consolidated Stores and American Shopping Channels will spend \$6 million on its joint video retail project, expected to originate from Atlanta. Format responsibility will rest in ASC's hands. The company, partially owned by former Cable News Network President Reese Schonfeld, operates a standalone merchandising service at Media General's Fairfax County, Va., system (CV, 3/3/86, p. 32). Consolidated, owner of about 160 wholesale/retail stores throughout the Ohio Valley, will supply the product. A live two-hour segment will appear every six hours on Tempo beginning Sept. 1.

Tempo Chairman Ed Taylor promised that the segments will take a journalistic approach and downplay straight-ahead salesmanship. But the most unique element of the service may be its effect on Tempo's overall operating policy. Once it premieres, Tempo will eliminate its monthly per-sub charge and divide 6 percent of gross revenues from the joint venture among its affiliates. At the moment, Tempo charges operators 3 cents per sub monthly for full-time carriage and 5 cents per sub for part-time play.

"We thought it was too awkward to charge the operator on one hand and pay him on the other," Taylor pointed out. Indeed, with operator compensa-

tion and free carriage an important part of every video shopping venture's game plan, MSOs may end up using the services as bargaining chips to force lower per-sub rates from other basic services, some industry observers believe.

"There's the chance that (non-shopping) basics might be kicked off some systems to clear these services," Taylor said. "The demand for channel space is worse than it's ever been because of all this activity and other channels already waiting their turn to get on."

"Realistically, some of the more marginal networks carried now will be on the defensive," Reily added. "Channel space is the name of the game. That's why these shopping channels are caught in the midst of a land rush to sign MSOs. Operators own the retail store."

—Simon Applebaum

TCI, Cencom deal creates LO, ad possibilities

ST. LOUIS—Tele-Communications Inc.'s strategy of consolidating systems in metropolitan areas in order to take advantage of advertising, local origination and sports programming opportunities took a step forward recently with the announcement of a "significant investment" by TCI in Cencom Cable Associates.

Cencom currently serves 100,000 subscribers in the St. Louis suburbs, and TCI is building about 75 percent of the city in a system which will eventually pass 130,000 homes. TCI manages an additional 40,000 subscribers in the area.

While Barry Babcock, executive vice president and chief operating officer of Cencom, said discussions have not yet gotten underway on merging advertising or local origination efforts, he noted that TCI's purchase of Group W properties in St. Louis will mean virtually all the cable companies in the area will be owned and operated by TCI or Cencom. "There are all sorts of opportunities down the road," he said.

Stewart Blair, senior vice president at TCI, said that fulfillment of that strategy was "definitely part of our thinking" in making the investment in Cencom. And he termed the drive to maximize advertising and LO opportunities as "very, very important" to the company's strategy of consolidat-

ing urban and suburban systems.

TCI executives have often spoken of the need to develop clusters of systems in metropolitan areas where the number of subscribers would make it worthwhile to launch stepped-up advertising efforts and so-called "super LO" stations that would operate much as independent television stations do.

The first market in which this strategy is being tested is Pittsburgh, where TCI serves 300,000 subscribers in the city and suburbs. The area is 100 percent wired and overall penetration approaches more than 60 percent, TCI Senior Vice President Peter Barton has noted. The company has already attained rights to the Pittsburgh Pirates' games, and the company is beginning its super LO effort.

Another market that may prove to be a good candidate for TCI's strategy is Chicago where the company is building an urban system that will eventually pass 750,000 homes. TCI also serves 58,000 subscribers in the northwest suburbs of the city through a joint venture with Cybernetics, a Canadian firm.

Recently, cable operators serving more than 400,000 subscribers in the Chicago suburbs launched a cable network, designed to bring local origination programming to new heights and new audiences. The channel is being distributed by Centel Videopath's microwave network, which already provides extensive video programming, advertising and tele-conference services to area cable operators and businesses. The meshing of TCI's systems with the suburban systems would be logical.

While not specifically addressing the Chicago market, Mark McCormick, director of planning for TCI, noted that "to the extent it (the strategy) works for one to two operators, why can't it work for four or five?"

TCI and Cencom executives stressed that TCI's investment in Cencom was also motivated by Cencom's excellent growth opportunities and the attractiveness of its properties. The company was started in 1982 and now serves more than 150,000 subscribers. Plans are to triple that number of customers within the next two to three years.

As one analyst noted, TCI's investment will give the company added exposure in the financial markets, improved liquidity and economies of scale. Cencom is projected to save \$1.2 million on programming costs alone in the next year as a result of its new affiliation with TCI.

—Virginia Munger Kahn

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Showtime marks tenth year with major strategy shifts

By John Motavalli

"We were the boat people of Viacom," recalls former Showtime President Jeffrey Reiss, reminiscing about the pay cable outlet's shaky start 10 years ago this month. "In the first year, we were sending out 60 cassettes to systems a month, trying to make it work. The people who ran operations were working 24 hours a day to keep it going, and one day we came in at 8 a.m. to find the head of operations asleep at the control board."

In December of 1977, as Showtime was announcing its intention to switch from bicycling tapes to satellite delivery, Reiss speculated on the future of the developing medium in a *CableVision* interview. Reiss had reason to be cautious. After a year and a half of operation, the service had only 90,000 subscribers on 50 cable systems, and was finishing the year with a \$700,000 deficit. Still, he told *CableVision* at the time, Showtime was anticipating making a profit by the end of 1978, and he predicted that within five years (1982) the pay universe would probably grow to 4 million.

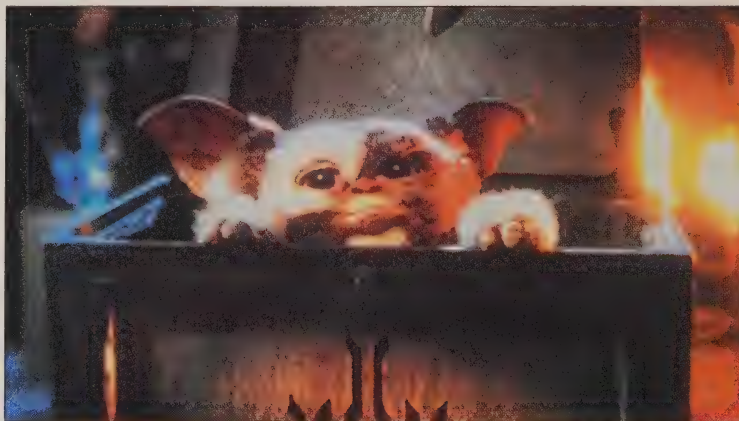
As it turned out, Showtime didn't actually turn a profit until 1981, Reiss says, but the growth of the pay universe made Reiss's predictions look conservative, as it reached 15.9 million pay households by 1982 and today stands at 22 million households, 5.2 million of them Showtime subscribers. And, as it celebrates its 10th anniversary this month, Showtime and its companion service, The Movie Channel, are solidly profitable, with Viacom reporting 1985 net profits of \$19.5 million on revenues of \$357 million for the two pay services. Given the much-discussed pay slump, this compares favorably with 1984's profits of \$20 million on revenues of \$340 million.

In a sense, 1986 marks more than a 10-year milestone for Showtime; it's the end of a cycle of tremendous pay growth enjoyed both by Showtime and its rival Home Box Office. The late '70s and early '80s were heady for Showtime, as it worked its way through a series of owners—the Teleprompter Corp. entered into a 50-50 partnership with Viacom in 1979, Viacom bought out the 50 percent interest then held by Group W Cable (after its merger with Teleprompter) in 1982,

by the same team responsible for Showtime's hit series *Brothers*, an innovative sitcom entitled *It's Gary Shandling's Show* featuring the popular *Tonight Show* guest host, and a new SCTV-style comedy show entitled *The Frantics*. A mini-series on the life of J. Edgar Hoover is planned, and talks are continuing with *Killing Fields* producer David Puttnam for a large-scale mini-series, to be entitled *Saigon*.

Showtime has dropped its longstanding avoidance of sports programming, and has scheduled some high-profile boxing events as well as the "sports/entertainment extravaganza" *Wrestlemania II*, which did well in pay-per-view.

Showtime officials stress that comedy is playing a big role in the realigned service, with lead-in sitcom scheduling, similar to that of the broadcast networks, taking a



Steven Spielberg's movie 'Gremlins' shown on Showtime, features star Gizmo.

and then entered into a joint venture with Warner Communications Inc., and Warner Amex Cable Communications Inc., in 1983. Last year, Viacom came full circle, buying out its partners and again assuming full ownership.

Viacom, according to Peter Chernin, executive vice president of programming and marketing at Showtime, has given the two pay services "a tremendous amount of autonomy." Despite talk that Viacom's new Network Group was designed to allow the parent to exercise more control over Showtime/TMC and MTV Networks, Chernin says the issue of Viacom interference in Showtime policy has not arisen. "Viacom deserves a great deal of credit for its understanding insight into the cable business," he adds.

Showtime rolled out a wide array of new programming at last month's Television Critics Association parlay in Los Angeles, including a high-profile sitcom called *Hard Knocks*, produced

more prominent role. Gary Shandling, who is starring in and co-writing his Showtime series, says that, despite his *Tonight Show* duties, which include a week's slot this month, he is happy to work with the pay channel because it offers a degree of freedom not found on broadcast TV. His previous Showtime experience includes a talk show parody entitled *The Gary Shandling Show—25th Anniversary Special* and the 1984 *Gary Shandling Alone in Vegas*.

"I have a wonderful working relationship with Showtime—they allow more creative control and the development of conceptual ideas," he notes. The show, in which he plays himself, allows him frequent "breaking the fourth wall"-style asides to the camera, à la George Burns. He says Showtime's efforts to establish itself as a comedy-intensive network were paying off because "cable networks need to establish their own personality, a persona. Showtime is the closest to doing

that."

Showtime has made a huge commitment to its most popular series, *Brothers*, announcing last May that it had ordered 50 new episodes, for a total of 114, from the production team of Gary Nardino Productions and Paramount Video Programming. The show will be playing on the network until 1989, and Robert Walden, who plays one of the three brothers in the series, says working with Showtime has been particularly gratifying because "the show means a great deal to Showtime and they're enormously supportive. Someone said we're like *The Cosby Show* to them." As a result, he adds, the producers have been given far more autonomy than Walden, a former regular on the canceled CBS series *Lou Grant* was used to. "The biggest difference is that there are considerably less cooks in the kitchen," he says.

Adds Lynn Roth, executive producer of Showtime's *The Paper Chase*, which started on the service after runs on both CBS and PBS, "Showtime was a wonderful place for the show because it allowed it to realize a lot of its potential. The network puts too much pressure on you." One controversial episode, entitled "A Plague of Locusts," was turned down by CBS because it portrayed lawyers in a bad light; it was done without cuts on Showtime, she says. *The Paper Chase* will conclude its run on Showtime this summer, including a final two-hour graduation episode.

"We made 25 specific program announcements at the TCA," notes Allan Sabinson, senior vice president of original programming. He says Showtime plans to increase its output of made-for-pay films, such as this month's *Slow Burn*, to at least six a year, with three of those slated for 1987 to be based on the mega-popular Harlequin Romance novels. Given the critical success of the big budget production *Tender Is the Night* last year, the service will continue to produce at least one mini-series annually, with the Hoover project currently on the front burner.

Sabinson acknowledges that the emphasis on original programming will result in a "slight increase" in the programming budget, adding that Showtime is now spending 35 percent of that budget on original programming. By the end of next year, according to Chernin, up to 40 percent of the service's programming should be exclusive, with 60 percent exclusivity for "top-end product."

As a further aggressive push toward

differentiation from HBO, Showtime/TMC has just completed a \$300-million exclusive rights spending spree that has locked in long-term deals with Disney's Touchstone, Cannon Films, Atlantic Releasing and the DeLaurentiis Entertainment Group, although it passed on Warner Bros., due to the stringent \$600- to \$650-million price tag the company had set for exclusivity. While Showtime execs admit that a loss of Warner titles, including such hits as Steven Spielberg's *The Color Purple*, could hurt, they quickly add that the outcome, in which HBO will pay Warner extra cash if Showtime continues to pass on the studio's films, drives up HBO's costs and further differentiates Showtime from its competition.

Chernin also points out that those worried about Viacom's willingness to foot the bill for the exclusive deals and original programming should remember that the studio exclusives cost about the same amount of long-term money that Showtime would have to pay for a non-exclusive Warner Bros. deal.

In terms of long-term planning, however, major challenges loom. Showtime Chairman and CEO Neil Austrian, surveying a VCR-plagued pay scenario that has seen Showtime lose about 200,000 subs between March of 1985 and March of this year, acknowledges that 1986 has not been a banner year for pay. Looking at the rest of the year, he says bluntly, "We'll lose more subscribers probably."

"We might be getting to the point where the industry consolidates and finds it can do very well with two main pay services."

—Neil Austrian

Austrian and other Showtime officials stress that the company's current long-term strategy, which some analysts have termed risky, is aimed precisely at Showtime's vulnerable spots—consumer concern about duplication and operator reluctance to give the service equal shelf space with HBO. The strategy, involving a heavy reliance on exclusive films and a stepped-up commitment to original programming, is designed, Austrian says, to make both consumers and operators look to Showtime as an irreplaceable foundation service, with differentiated programming that simply can't be missed. "We might be getting to the point where the

Continued on page 26



Cast of Showtime's comedy, 'Brothers.'

Pay Per View Supply Chart

A listing of movies and events entering PPV distribution over the next two months.

August

Source	
Paramount	The Adventures of Mark Twain (8/14) MPAA Rating: G Running Time: 89 mins. Cast: Claymation
Universal	Best of Times (8/15) MPAA Rating: R Running Time: 105 mins. Cast: Robin Williams, Kurt Russell
Paramount	Clue (8/13) MPAA Rating: PG Running Time: 87 mins. Cast: Eileen Brennan, Tim Curry, Madeleine Kahn, Christopher Lloyd, Michael McKean, Martin Mull, Lesley Anne Warren
New World	Bliss (8/19) MPAA Rating: R Running Time: 112 mins. Cast: Barry Otto, Lynette Curran, Helen Jones
HBO Enterprises	Hannah and Her Sisters (8/7) MPAA Rating: PG-13 Running Time: 105 mins. Cast: Woody Allen, Mia Farrow, Michael Caine
Tri-Star	La Cage Aux Folles III (8/14) MPAA Rating: PG-13 Running Time: 88 mins. Cast: Michel Serrault, Ugo Tognazzi
Paramount	Lady Jane (8/14) MPAA Rating: PG-13 Running Time: 142 mins. Cast: Helena Bonham Carter, Cary Elwes
Universal	Malibu Express (8/28) MPAA Rating: R Running Time: 101 mins. Cast: Darby Henton, Sybil Danning, Art Metrano, Niki Dantine
Disney	Offbeat (8/21) MPAA Rating: PG Running Time: 92 mins. Cast: Judge Reinhold, Meg Tilly
Warner Bros.	Revolution (8/13) MPAA Rating: PG Running Time: 102 mins. Cast: Al Pacino, Donald Sutherland, Nastassja Kinski, Annie Lennox, Joan Plowright
Warner Bros.	Spies Like Us (8/21) MPAA Rating: PG Running Time: 102 mins. Cast: Dan Akroyd, Chevy Chase, Steve Forest, Bernie Casey
New World	Star Crystal (8/19) MPAA Rating: R Running Time: 93 mins. Cast: C. Jutson Campbell, Faye Bolt, John W. Smith

September

Source	
Columbia	Care Bears II: New Generation (9/1) MPAA Rating: G Running Time: 77 mins. Cast: Animated
Warner Bros.	French Lesson (9/1) MPAA Rating: PG Running Time: 90 mins. Cast: Jane Snowden, Alexandre Sterling, Diana Blackburn, Oystein Wiik
Paramount	Gung Ho MPAA Rating: PG-13 Running Time: 111 mins. Cast: Michael Keaton, Cedde Watanabe, George Wendt
20th Century-Fox	Highlander (9/4) MPAA Rating: R Running Time: 106 mins. Cast: Sean Connery, Christopher Lambert, Clancy Brown, Roxanne Hart
New World	Jake Speed (9/23) MPAA Rating: PG Running Time: 104 mins. Cast: Wayne Crawford, Dennis Christopher, Karen Kopins, John Hurt
20th Century-Fox	Lucas (9/4) MPAA Rating: PG-13 Running Time: 100 mins. Cast: Corey Haim, Kerri Green, Charlie Sheen, Courtney Thorne-Smith
New World	Mountaintop Motel (9/23) MPAA Rating: R Running Time: 95 mins. Cast: Bill Thurman, Anna Chappell, Will Mitchell
Universal	Out of Africa (9/18) MPAA Rating: PG-13 Running Time: 161 mins. Cast: Robert Redford, Meryl Streep, Klaus Maria Brandauer
Columbia	Violets Are Blue (9/1) MPAA Rating: PG-13 Running Time: 115 mins. Cast: Kevin Kline, Cissy Spacek
United Artist	Young Blood (9/11) MPAA Rating: R Running Time: 110 mins. Cast: Rob Lowe, Cynthia Gibb, Patrick Swayze
Paramount	Young Sherlock Holmes MPAA Rating: PG-13 Running Time: 109 mins. Cast: Nicholas Rowe, Alan Cox, Sophie Ward

Note: Running times are approximate.

Film information provided to International Thomson Communications Inc. by studios.

NR indicates film not rated by MPAA.

Pay Per View Services Profile

Service:	Request Television	Viewer's Choice	Telstar Channels
Launch:	November 11, 1985	November 26, 1985	June 5, 1986
Delivery:	Galaxy 1, transponder 12	VC-1 Satcom 3R, transponder 5 VC-2 Galaxy 1, transponder 16	Interrum standalone, presently testing on Telstar 303
Encryption:	M/A-COM VideoCipher 11	M/A-COM VideoCipher II	Presently testing General Instrument Starloc IV
Programming:	Two to four major motion pictures per week, special events	One major motion picture per week, special events	Channels 1&2: two major motion pictures on biweekly rotation, Channel 3: two major motion pictures per week, special events
Subscribers:	Available in systems serving 1.6 million subs (1.1 million addressable)	1.2 million addressable subs.	Available in systems serving 34,000 subs (7,500 addressable).

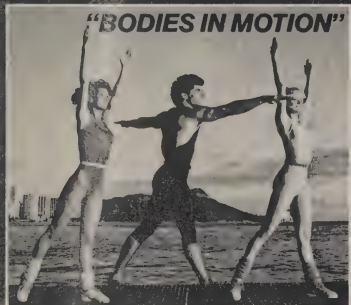
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all of their other favorite sports as well, with ESPN's weekly highlight shows: "Tennis Magazine," "Inside the PGA Tour," "College Basketball Report," "NBA Today," "Inside Baseball," and our horse-racing review "Down the Stretch."

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"FISHIN' HOLE"

Showtime—

Continued from page 23

industry consolidates and finds it can do very well with two main pay services," he notes.

Although Austrian acknowledges that this outlook may not amount to a long-term vote of confidence in The Movie Channel, he stresses that the Showtime strategy is primarily aimed at "the 7.5 million single-HBO households" and at those systems that offer low-priced HBO-Cinemax pay packages. "The HBO-Cinemax strategy

doesn't make much sense" in light of Showtime differentiation, he contends. "We're saying that the HBO/Max combination will become a dinosaur."

Jack Heim, Showtime's vice president of sales and affiliate marketing, says the service has considerable opportunity if its differentiation strategy works out. Showtime is on about 3,600 cable systems, SMATV affiliates and hotel hook-ups currently, and Heim says about 1,500 pay cable systems currently don't carry the service, including about 45 of the 90 Time Inc. American Television and Communica-

tions systems. By targeting these non-believer systems and going after the over 7 million HBO single pays, Heim says, Showtime will insure long-term subscriber stabilization. He notes that, as part of its outreach effort, Showtime executives launched a three-week blitz of meetings with operators in the period prior to the CTAM convention, managing to meet with companies representing 50 percent of its subscriber base.

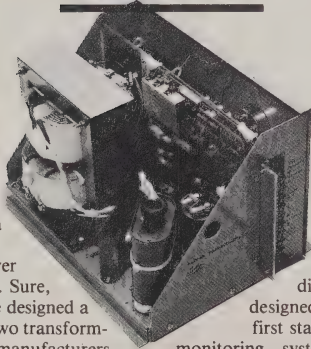
Showtime is exploring other strategies, executives say, including a "Showtime Plus" idea, similar to plans outlined by TeleCommunications Inc. Senior Vice President John Sie, that would offer consumers an extra channel with four-to-five hit films day-and-date with home video release. "Showtime Plus" would sell for about \$5 and would be part of a pay package that would insure the long-term viability of the parent channel.

The concept, which Austrian says amounts to "subscription pay-per-view," could be complementary to Showtime's already established Viewer's Choice pay-per-view channels, offering consumers a choice of early-window options. Austrian notes however, that recent conversations with the movie studios have not left him sanguine that the strategy can be worked out soon, given Hollywood's desire to protect home-video revenue.

Irrespective of the fate of "Showtime Plus," will Showtime's differentiation strategy work? Many operators say it was the service's only visible alternative, and early indications are that it may result in subscriber stabilization in the near term. "Their policy calls into question the value of the HBO/Cinemax combination," notes Sheri Herman, vice president of programming at United Cable. "This is very effective as a distribution play."

Austrian claims the ideal MSO positioning for his service would have an HBO/Showtime package with basic offered for about \$28, and Herman notes that Showtime's strategy is inclining United toward this approach. "It's forced us to say, 'Okay, let's go back and take a look—we may have to alter

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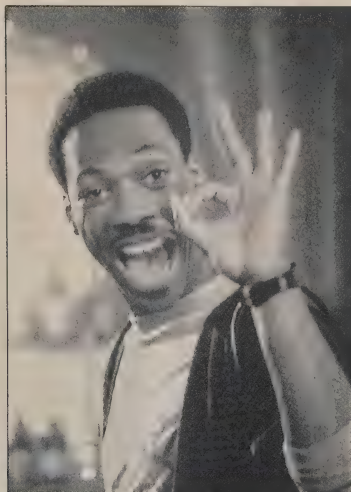
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'Consumers
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services.
—Josh Sapan



Eddie Murphy

our channel lineup.' " She says about 75 percent of United systems now offer Showtime, a figure that will likely be revised upward.

One system following Austrian's best-case scenario, Rogers of Texas in San Antonio, offers HBO and Showtime together with basic on its "People's Choice" tier for \$28.50. The strategy, according to Missy Goerner, the system's director of programming, has allowed the 200,000-sub system, the country's fourth largest, to maintain a 140 percent pay-to-basic ratio. Although the system once enjoyed a 170 percent ratio, Goerner says that, given the pay slump, "for us the current situation is good."

Houston Cable, a 192,000-sub system, also offers a \$36 "Economy II" package with HBO/Showtime and basic, and system officials say this has helped sell a current total of 250,000 pay units, giving the system a 130 percent pay-to-basic ratio.

The Showtime strategy was an imperative, notes Jerry Maglio, executive vice president of programming at Daniels & Associates: "They didn't have a future if they continued to offer the same theatrical films as HBO. The key question for Showtime will be how effectively they can communicate to the consumer that they offer product exclusivity and the only way to get it is to add Showtime."

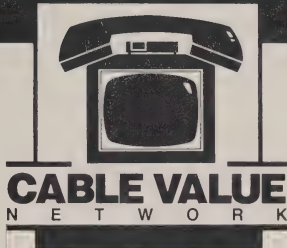
Maglio notes that his company "likes the idea of them being a differentiated service," but is concerned that, in lieu of reduced wholesale rates, "this strategy puts more pressure on consumer households, and could result in increased dissatisfaction with pay."

Maglio says he is also concerned that current multi-pay subs who take such channels as Disney, Playboy or Bravo will be particularly reluctant to spend extra money on another broad-based movie channel.

Steve St. Marie, ATC's senior vice president of programming and marketing, offers a perspective similar to that voiced by HBO officials, stressing that "the idea of exclusivity is not as viable a concept as it once was because of home video. We're concerned also about the fundamental act of bidding up the theatrical marketplace, which

has the potential of upsetting the economics of pay cable."

St. Marie argues that lowering wholesale rates might have been a better alternative than exclusive deals, but Showtime execs counter by saying that all their research indicates that duplication, not pricing, was their primary vulnerability. "Consumers are real simple," asserts Josh Sapan, vice president of consumer marketing at Showtime. "They don't want duplicated pay services. It's duplication that creates a perception of lower value for all the pay services." ■



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NOTES

■ **Magic Years in Sports**, a 13-part series that will feature original footage and commentary of classic sports moments dating back to 1938, will premiere on ESPN this fall through an agreement between ESPN and CEL Communications Inc. Each of the half-hour programs will incorporate recent interviews with the featured athletes or members of their families. Thirteen years between 1938 and 1976 will be featured. Among the classic moments that will be presented are the 1938 horse race between War Admiral and Seabiscuit; the emergence of Babe Didrickson and Jackie Robinson (the first woman star athlete and first black major league baseball player); Roger Bannister breaking the four-minute mile barrier in 1954; Jim Brown in the 1957 Cotton Bowl and later his debut as a pro; Arnold Palmer winning the 1958 Masters; the black power protest of Tommie Smith and John Carlos in the 1968 Olympics; Mark Spitz and Olga Korbut starring in the 1972 Olympics and the Los Angeles Lakers winning 33 straight NBA games in 1976.

■ **Jim Simpson and Leandra Reilly** will co-host ESPN's 37 live hours of coverage of U.S. Olympic Festival '86 from Houston, July 25 through August 3. The duo will serve as floating anchors, hosting each telecast from that day's main venue. Starting with Helsinki in 1952, Simpson has covered 10 Olympic Games in a broadcasting career that began in 1943. He joined ESPN in 1979 after working top assignments at ABC, CBS and NBC. Reilly, the only woman sports play-by-play commentator working on a national level, has handled assignments for ESPN since 1980. In addition to co-hosting the opening ceremonies at last year's festival, Reilly also provided play-by-play for track and field, volleyball and synchronized swimming from Baton Rouge.

■ **Tempo Television** has expanded its prime-time international programming. Tempo's international programming schedule now runs from 8 to 11 p.m. VEDT instead of the former 9 to 11 p.m. VEDT. The programs are produced around the world and are geared to educate and entertain.

■ **USA Network** has acquired six major television mini-series for exclusive cable broadcast in coming months on a first-run after network basis. The programs, *Malibu*, *Rage of Angels*, *Celebrity*, *Princess Daisy*, *Power* and *Silent Reach*, represent the first mini-se-

ries ever included in the USA programming lineup and will be USA premiere events as two- or three-night presentations. *Malibu*, a four-hour drama about the lives of rich and famous residents living in the exclusive Pacific coast beach enclave known as The Colony, will air on Tuesday and Wednesday, July 15 and 16, from 8 to 10 p.m. both nights with a repeat on Sunday, July 20, from 1 to 5 p.m. In August, *Princess Daisy*, a drama focusing on the life of a beautiful and spirited daughter of a Russian prince and an American movie star, will be broadcast. The mini-series will air Tuesday, Aug. 12, and Wednesday, Aug. 13, from 8 to 10 p.m. both nights with a repeat on Sunday, Aug. 17, from 1 to 5 p.m. *Celebrity*—a six- and a half-hour mini-series starring Michael Beck, Joseph Bottoms and Ben Masters; *Power*—starring Joe Don Baker in the central role of this four-hour mini-series; and *Silent Reach*—a four-hour drama starring Robert Vaughn—have not been scheduled yet.

■ **The Campbells**, a weekly dramatic series has been renewed by CBN Cable Network for the 1986-87 season. The series, starring Malcolm Stoddard as James Campbell and John Wüdmann as his oldest son, Neil, is carried on the Family Entertainer Saturdays at 7 p.m., (EDT). It is repeated Fridays at 8 p.m. Produced by Settler Productions in Toronto, *The Campbells* is distributed internationally by Fremantle-Talbot TV. The frontier series, chronicling the life of a family of Scottish immigrants that settles in the Canadian wilderness in the 1830s, is filmed on location in Canada.

■ **Arts and Entertainment Network** has released the schedule of episodes planned for the upcoming series *Do*

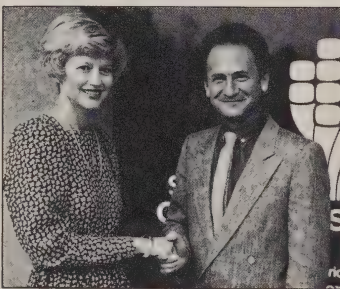
Not Pass Me By: Video Vignettes of Colorado Folk Life. Produced by the Colorado Council on the Arts and Humanities with A&E serving as co-sponsor and advisor, the series includes 13 video profiles. Production has been completed on the first episode, a profile of nationally prominent cowboy-poet, Nyle Henderson. The full series will include segments on Colorado mining traditions, Hispanic heritage, Basque folk art from Colorado's Western Slope region and the music and dance traditions of Colorado's Asian populace.

■ **Photographs of missing children** provided by the National Center for Missing and Exploited Children will be included in a monthly magazine format program distributed free to cable television systems across the country. *Health & Home Report*, a 30-minute, composite of featurettes produced and distributed by West Glen Communications Inc., began featuring missing youngsters' photographs in June. The company plans to work with local systems to localize the photographs as much as possible.

■ **Happy Trails Theatre**, a weekend movie series hosted by Roy Rogers and Dale Evans, which premiered on The Nashville Network in January, has been renewed for one year. The 90-minute program, telecast every Saturday at 11 a.m., features classic Western films. Each show opens and closes with Rogers and Evans sharing personal anecdotes about how the film was made and the events happening in their private lives at the time.

■ **As Is**, the 1985 recipient of the Drama Desk Award for Outstanding Achievement and the 1985 Obie Award for Distinguished Play will premiere as a *Broadway on Showtime* offering July 27. *As Is* is a play about a homosexual stricken with the disease, AIDS, and his former lover who returns to care for him. Robert Carradine plays Rich, the dying victim and Jonathan Hadary re-creates his stage role as the caring Saul. Colleen Dewhurst also stars as a hospice worker in New York's Greenwich Village and Joanna Miles plays their sympathetic best friend.

■ **Comedian Gary Shandling** will star in and co-write *Gary Shandling's Show*, a new half-hour situation comedy series for Showtime. Based on Shandling's "personal" experiences, *Gary Shandling's Show* will explore his escapades with women and his relationships with friends, his career and his fantasies. The series, which is scheduled to begin production of six episodes in August, will be taped be-



During a recent visit to San Diego including cable system tours, Philip Charles MacKenzie, star of 'Brothers' on Showtime, was greeted by Southwestern Cable TV's new president, Ann Burr.

fore a live studio audience for telecast beginning in September.

■ **Bravo** is presenting the premiere of Robert Altman's screen adaptation of David Rabe's controversial Broadway success *Streamers*, on July 24. This technically-restored version includes the original organ score and features a 1930 sound prologue, the only existing film interview of D.W. Griffith, who wrote the 1915 silent movie. *The Boat is Full*, is Markus Imhoof's award-winning drama of desperate World War II refugees seeking sanctuary in Switzerland. It will be aired July 14 and 20.



Lesley Ann Warren stars in 'Apology.'

■ **Apology** will debut on **HBO** on Sunday, July 27, at 9:00 p.m. EDT. The suspense thriller stars Lesley Ann Warren as a sculptress whose experiment in art leads her into a terrifying experience in murder. Peter Weller co-stars as a New York policeman who grows closer to Warren's character as he seeks to save her from a psychotic killer.

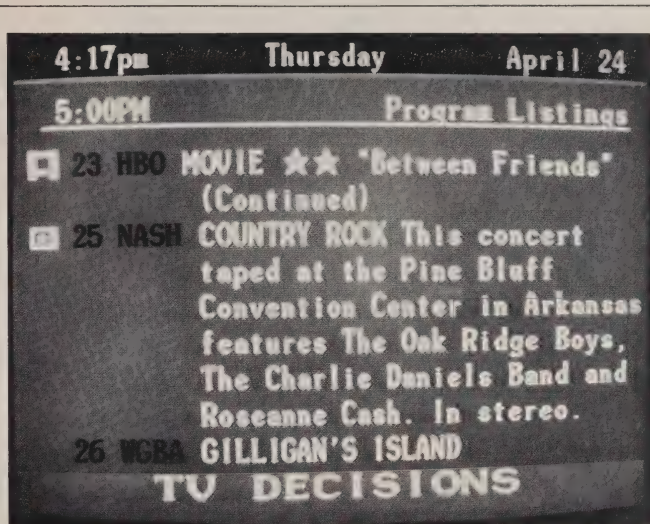
■ **The Learning Channel** plans to expand its current 10 hour-per-day format to 20 hours per day, effective October 1, 1986. **TLC**, which currently delivers its programming from 6 a.m. to 4 p.m. EDT, will extend its programming day to 2 a.m. EDT. After 4 p.m. EDT, programming will concentrate in three general areas with telecourses in the early weekday evenings; informational and enrichment programs in primetime; and business and business news programming until sign-off.

■ **The Playboy Channel** starts July programming off with some original shows, including *The Bikini Story*; *Electric Blue: Good Vibrations*; *Playboy Comedy Theatre*; *Women Tell the Dirtiest Jokes*; *Collector's Edition: Playboy Video Magazine* and more.



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Patti LaBelle, Dionne Warwick and Gladys Knight share harmonies for the first time onstage as 'Sisters in the Name of Love,' a new special debuting on Saturday, July 12, from 10 to 11 p.m. on HBO. The event also features girl talk as the three compare music and memories.

This month's Playboy films include *Pleasure Island* and *Venus*.

■ **Venita VanCaspel** is the host of *Money-makers*, The Learning Channel's new series shown Sundays at noon (EDT). *Money-makers* features one-to-one interviews with specialists in many areas of investments, profiles of success stories from the Horatio Alger Foundation, and tips that include specific points to remember in setting up a financial plan. As an entrepreneur, VanCaspel counsels hundreds of Americans each year on the strategies of financial planning.

■ **Arts & Entertainment Network** will present a series of films from the American Film Institute's prestigious Center for Advanced Film Studies. The films, many of which are multi-award winners, will air on A&E's *Shortstories*, a weekly anthology of short films. Subjects range from racism to religion and include adaptations of stories by such respected authors as Joyce Carol Oates, Flannery O'Connor and Lillian Smith. Actors in *Shortstories* have included Jack Lemmon, Christopher Lloyd and Eli Wallach.

■ **One of Disney's animated classics**, *Pinocchio*, along with the live action drama, *The Journey of Natty Gann* and fantasy adventure feature *Return to Oz*, will make their exclusive, television premieres on The Disney Channel this September. *Pinocchio* is the story of a little wooden puppet brought to life by The Blue Fairy, and who must

prove himself worthy of becoming to a real boy. Featured in this timeless classic is a memorable cast of animated characters including Jiminy Cricket, The Blue Fairy, Geppetto, Figaro the Cat and Monstro the Whale. *Pinocchio*, made its theatrical debut in 1940, and captured two Academy Awards for Best Original Score and Best Song ("When You Wish Upon a Star"). In *The Journey of Natty Gann*, released theatrically by Walt Disney Pictures last June, a courageous young girl attempts to overcome extraordinary odds when she travels cross-country in search of her father. Set during the depression years of the mid-1930s, Natty, played by newcomer Meredith Salenger, rides the rails from Chicago to Seattle with hobo gangs, forms a close bond with a young drifter (John Cusack) and struggles to survive in the northwestern wilderness. Young Dorothy Gale from Kansas embarks on new adventures in Walt Disney Pictures' *Return to Oz*, based on the classic stories of L. Frank Baum, and making its exclusive television premiere this August. Originally released theatrically last June, this fantasy adventure returns Dorothy to the enchanted land of Oz.

■ **The Chicago Cubs**, will be in 147 games during the 1986 Major League Baseball season on WGN. The schedule includes 74 afternoon games at Wrigley Field, home of the Cubs, and 72 games on the road against var-

ious National League opponents. Two scheduled doubleheaders are slated, as well as an exhibition game vs. the American League Chicago White Sox. The Cubs play 15 televised games vs. the defending Western Division Champion Los Angeles Dodgers. Harry Caray and Steve Stone will again provide the play-by-play commentary on the WGN telecasts.

■ **ESPN** will televise over 70 hours of America's Cup coverage, including exclusive live American coverage of the final best-of-seven series from Fremantle, Australia, next January and February. ESPN will average at least one program per week until the competition is completely. ESPN's coverage will include: documentaries—Eleven hour-long and one 90-minute documentary that will provide an historical perspective of the America's Cup. Featured will be *Australia II's* upset victory over *Liberty* in 1983, ending 132 years of American domination—the longest winning streak in sports. The shows will be aired primarily on Sunday nights at 10 p.m. EDT through Sept. 28; syndicate profiles—on Wednesday at 11 p.m. airing on a bi-weekly basis through September 24, ESPN will air half-hour profiles of each of the six American syndicates looking to regain the Cup; challengers/defenders preview—ESPN will air a one-hour preview on Sunday, Oct. 5 at 10 p.m., the day the challengers and defenders rounds are scheduled to begin. Thirteen syndicates from the U.S., Canada, England, France, Italy and New Zealand will complete in the Challengers round; live coverage of challengers round final—a minimum of three nights of live coverage of the Challengers round final will begin Monday, Jan. 12 at 11 p.m. and, The America's Cup-Challenge Down Under—ESPN's coverage of the best-of-seven final series will begin with an hour-long preview show on Wednesday, Jan. 28, at 10 p.m. On Friday, Jan. 30 at 11 p.m., the network's coverage of each America's Cup final race will commence.

■ **Arts & Entertainment Network** has developed a special high school study guide for use with A&E's production of Gilbert & Sullivan's comic opera, *The Mikado*. Designed for grades 7 through 12, *The Mikado's Guide to Titipu* tells students how *The Mikado* was created and helps develop students' appreciation of the well-known opera. The guide, along with videotapes of the production, is available to the country's nearly 100 opera companies for their education programs. It is also available to MSO's as well as individual educators.

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Comcast's ad revenues going like gangbusters this summer

By Simon Applebaum

It's understandable why the ad sales team of Comcast Cablevision of Baltimore County posed as flapper era mobsters for a recent publicity shot. So far this year, their operation has been going gangbusters.

The 18th-ranked MSO's largest system enters this summer with a \$160,000 monthly sales revenue average and total ad income running 50 percent ahead of first-half 1985 results. Over the last two months alone, Comcast has attracted \$401,000 in ad revenues, and its \$221,000 sales performance this past May set a single-month company record.

Company officials, impressed by the torrid spring activity, predict their 121,600-subscriber Baltimore suburban outlet will surpass \$2 million in annual advertising dollars this year, a total few systems have reached to this point. The sales level represents a rapid revenue rise under Comcast's ownership. When the MSO acquired the franchise from Caltec Cablevision in late 1984, sales came in at a \$400,000 annual pace. The system finished its first calendar year under new management with \$1.2 million in ad revenues.

Mike Vince, Comcast/Baltimore's advertising director since shortly after the ownership change, believes the level of broadcast sales during the early autumn months will dictate the system's chances for a \$4 million year. "Going by established seasonal fluctuations in broadcast media buys, we expect summer will be a slow time," he explains. "But as the local station sales pick up in September, we'll follow along and our numbers will rocket skyward again."

Vince and his six-person staff of account executives credit their success to a strategy that encourages advertisers to do more than just run commercials over various services. One-third of the franchise's recurring clients buy contracts that include space in its monthly *Cable Plus* guide, participation in special promotions, bill-stuffer mentions and specially-produced infomercials appearing on the local origination channel.

Packages cost anywhere from \$400 to \$800 per month, depending on the number of outlets a client uses. Coors beer, one of the system's current top-

rate package sponsors, is involved with a monthly Home Team Sports giveaway program offering Baltimore Orioles tickets and restaurant passes. National accounts such as Coors, Pepsi and Coca-Cola generate about 10 percent of Comcast business; some national spot sales are arranged through Cable Networks Inc.

Each package client automatically gets 100 30-second messages per month on various Comcast channels. Besides HTS, Vince's crew pitches time on ESPN, USA, MTV, Video Hits-1, CNN and Headline News. Lifetime will join the list early next month. Advertisers not tied to a package plan are billed between \$30 and \$100 for each 30-second basic net spot bought, with the exact rate determined by the number of spots taken. The per-spot cost goes down as the volume goes up. Home Team avails are priced at \$400 apiece.

Vince takes a simple, direct sales approach, making extensive use of Arbitron-supplied viewership surveys. "We don't talk industry jargon or try to teach a client all the intricacies of the medium at one time," he observes. "We talk in the language of their workplace."

"Advertisers want numbers. It's their ballpark, and we have to conform to it in order to get the bucks. The Arbitron numbers are rudimentary, but it gives us a sense of how much viewership we get in the county. And when indexed properly, the numbers work in our favor. It gives the advertiser something to cling to, and after we make the case, then we can show the advantage of targeted advertising through cable."

Auto dealer associations are heavy users of Comcast package plans, along with various savings institutions and home improvement stores. ESPN is the favorite basic network for the majority of recurring advertisers, followed by USA and CNN. While overall system ad sales will decline over the summer, MTV and VH-1 buys will increase because of the seasonal viewing influx within its demographic base, Vince says.

Comcast doesn't assign a specific operating budget for its Baltimore County ad unit. Instead, the costs are spread out over several departments at the system, including LO, which handles commercial production for most

local clients and traffic.

Vince's staff will launch a series of meetings with out-of-area agencies this fall, aimed at increasing sales from national advertisers. Car makers will be the first target, followed by package goods. Account executives also will start marketing individual sales contracts for *Cable Plus*, the Cable Communications Media-produced guide delivered to about 80,000 subscribers each month. "We think the time is right for us to have the publication generate revenue on its own because of its high readership," Vince notes.

With the May results still lingering in their minds, system officials see a \$250,000 one-month revenue total happening before the end of the year. Vince already has that month pegged as November. "As long as we talk the right language and show the numbers, we'll fly off the roof then," he concludes. ■

NOTES

Numedia offers PADS signal service

Numedia Corp. is offering a new addition to its satellite photo advertising delivery service. The Photo Ad Delivery Service Signal will be available for insertion into a Cable Ad Channel System, thereby offering operators both national and local advertising revenue capabilities.

Numedia, has combined technologies with the Tribune Co., to allow cable operators to insert video shop-at-home catalogues and national spot ads.

In addition, the PADS-delivered catalogue pages or advertisements may be used by cable systems without CACS capability through headend hardware, made by Numedia, for cable operators to enable the insertion of PADS-delivered pages into unsold local avails on basic cable networks.

Weather Channel starts promo campaign

The Weather Channel launched a new promotional campaign June 29, using the theme "You Need Us For Everything You Do." Messages touting the network's specialized forecasts will appear on various basic networks throughout the summer, as well as on local TWC affiliate avails. Spotwise Productions created 13 30-second and two 60-second promos for TWC, along with a group of radio spots.



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Tax burdens may be next big issue

State-level lobbying shifts to theft of service, content control

WASHINGTON—Enacting stronger theft-of-service measures and fending off attempts to censor cable programming continue to dominate cable industry lobbying efforts at the state legislative level, according to a recent report prepared by the National Cable Television Association's state government relations office.

Based on the NCTA report, the level of state legislative activity has decreased somewhat following the enactment of the 1984 Cable Act. To date, 266 cable-related bills have been introduced in state legislatures this year, down from 282 in 1985 and a high of 394 in 1983.

And the thrust of those legislative initiatives has also shifted. "The main focus before the Cable Act was state rate regulation and increased franchise fees," noted Jadz Janucik, NCTA vice president of association affairs. But with federal legislation in place, the cable industry has centered its efforts on passing more stringent theft-of-service laws and fighting grassroots efforts to control cable's content.

Theft of service

Theft of cable service continues to cost the industry upwards of \$1 billion annually in potential lost revenues, according to NCTA estimates. And although the Cable Act imposes strict criminal penalties for theft of service, cable-specific theft laws still are needed in each state because it is in state courts where cable has had success in prosecuting offenders, observed Jeremy Stern, director of NCTA's new Office of Signal Theft.

Only four of 13 theft of service bills introduced in state legislatures became law in 1986, and those four bills all represented a strengthening of existing cable theft laws, according to the NCTA report. Ten states still have not enacted cable-specific theft of service laws.

In Nebraska, for example, the state legislature revised its existing theft of telecommunications service law to specifically name cable television as one of the services protected under the statute. In both Alabama and Missouri, existing theft laws were amended to outlaw the unauthorized sale of converters and connections. The Tennessee

state legislature amended its existing cable theft law to prohibit unauthorized reception of cable signals transmitted via microwave.

However, theft of service legislation was defeated in West Virginia as the legislature adjourned. West Virginia remains one of the 10 states without cable-specific theft laws.

Operators in that state were forced to withdraw support for the theft legislation when the bill was amended to prohibit operators from charging for additional outlets, according to Linda Arnold, executive director of the West Virginia Cable Television Association. "We thought it would be more harmful to have it pass in that form than not to have the law," Arnold said. Operators are "regrouping," Arnold said, and will likely lobby for theft of service legislation in the next session.

Content control

Given the publicity surrounding the U.S. Attorney General's Commission on Pornography and the growing grassroots trend towards media censorship, it was no surprise that regulation of cable programming was a hot topic among state governments.

So far in 1986, 26 bills aimed at censoring cable programming were introduced in state legislatures. NCTA's Janucik attributed the wealth of content control initiatives to a "continuing trend towards censoring programming" and grassroots efforts which have become "much more organized."

Thus far, however, only Arizona has passed a state-wide pornography and obscenity law, but that law includes a provision exempting cable operators and programmers. "We have an unusual bill," conceded Susan Bitter Smith, executive director of the Arizona Cable Television Association.

The target of Arizona legislators was video stores and so-called dial-a-porn services, not specifically cable television, according to Bitter Smith. But cable would have been included in the original bill, so legislators agreed to specifically exempt cable in order to keep operators from opposing the measure, Bitter Smith said.

For the sixth consecutive year, Florida operators successfully opposed

content control initiatives. This year, however, the battle was complicated by the large numbers of legislators which sponsored the bill and by the Florida Coalition for Clean Cable, a well-organized council of grassroots organizations.

"This year, the person who embraced the bill was a powerful legislator who was leaving office," noted Don Foster, executive director of the Florida Cable Television Association. The "going away" legislation drew the sponsorship of 40 legislators, and the lobbying efforts of the FCTA "turned dramatically towards that one issue," Foster said. As a result, he said, FCTA was unable to devote the necessary attention to other issues, such as access to premises. The legislature adjourned earlier this month without passing any cable-specific laws.

Earlier this year, Pennsylvania operators had expected a long and protracted lobbying effort to defeat an industry-specific pornography bill (CV, 1/20/86, p. 23). That bill, however, is currently stalled in the House judiciary committee, and the chairman of that committee has indicated that the bill will not move, according to Stanley Singer, executive director of the Pennsylvania Cable Television Association.

Singer cautioned, however, that cable censorship language could surface as an amendment to a number of other bills and that operators would remain "at risk" until the session ends Nov. 30. Program content legislation is also pending in New York and New Jersey legislatures.

Tax burdens

Increased tax burdens on cable operators will likely become the next major issue on the state legislative horizon, according to NCTA's Janucik. With declining tax bases in a number of states, legislators are moving to both increase property taxes on cable operators and impose sales taxes on cable services and equipment. Thus far, according to NCTA, 25 tax bills have been introduced in 12 states.

Legislation has been defeated in Maine, Missouri and Nebraska which would have imposed a sales tax on cable services, and property tax legisla-

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The New Leave It To Beaver. Sundays at 6:30 p.m. Starting in September.

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tion was defeated in Oklahoma. Connecticut passed legislation which sets a 6.5 percent tax on revenue from two-way services via cable, but that tax will be applied against an operator's payment of local property taxes. The net result may be an overall decrease in the property tax assessed on systems in that state, NCTA said.

Telecommunications issues remain active, according to NCTA, with 29 bills introduced in 15 states. Most of those bills concern either cable's provision of two-way data services or telephone company deregulation.

Legislation was passed in Wisconsin which enables operators in that state to offer data transmission services free of burdensome state regulations, as long as those data services represent less than 10 percent of an operator's total revenues. But in Nebraska, the legislature passed a telephone deregulation bill which gives a telco price flexibility in providing local switched network and private line services.

And as always, cable operators continued their efforts to pass state law guaranteeing access to multiple dwelling units, again meeting with little success. Of 14 access to premises bills introduced in 1986, 13 were defeated.

In Rhode Island, however, the House passed access to premises legislation. That bill now sits in the state Senate corporations committee, and is expected to pass the Senate later this year despite the opposition of the state real estate lobby.

—John Wolfe

NOTES

FCC seeks public comments

WASHINGTON—The Federal Communications Commission has agreed to seek public comment on a proposal by Satcom, a small Montana cable operator, which would set national and regional limits on the growth of cable multiple system operators.

Satcom petitioned the FCC nearly four months ago, asking the commission to launch a proceeding aimed at preventing one cable operator from controlling more than 25 percent of all subscribers nationally or 50 percent of subscribers in any one state. That petition drew support from the Montana congressional delegation and the Mo-

tion Picture Association of America, which argued that the ownership limits proposed by Satcom were too high.

Satcom had also opposed the \$1.2 billion sale of Group W Cable to a consortium of five cable companies. The FCC recently approved that sale (CV 6/23/86, p. 55) and announced two weeks later that it would seek comments on the Satcom request.

FCC officials cautioned that the decision to seek comment does not indicate that the commission is leaning toward ownership caps on cable MSOs. "This does not automatically signal that we are doing a full-blown rulemaking here," noted James McKinney, FCC mass media bureau chief. Comments must be filed with the commission by July 19.

Satcom attorney Stanford Weinstein said he was "pleased" that the FCC would consider the "interesting and controversial issue." MPAA President Jack Valenti, who has recently urged federal constraints on cable system ownership.

Court urged to affirm FCC jurisdiction

WASHINGTON—The National Cable Television Association, Viacom International and Telecable Corp. have told the U.S. Court of Appeals, D.C. Circuit, that the 1984 Cable Act "clearly gives the Federal Communications Commission broad pre-emptive jurisdiction in regulating cable television technical standards."

The NCTA and the cable companies urged the court to dismiss a petition filed by the City of New York, which challenged a 1985 FCC decision to preempt state or local cable technical requirements which were more burdensome than federal standards.

In the intervenor brief filed on behalf of the FCC, the cable interests maintained that the Cable Act essentially codified the FCC's policy of preempting local standards "in addition to or inconsistent with the standards adopted by the Commission." According to the brief, "had Congress intended to alter the commission's long-standing regulatory policy, it would have said so in no uncertain terms."

NCTA noted that the FCC's principal policy since 1974 has been to "encourage technological development and innovation while guaranteeing an acceptable minimum level of technical quality."

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ON DEMAND PROGRAMMING

Buy rates high in Jerrold's PPV tests; executives say more time needed

By Simon Applebaum

The early returns on Jerrold's Cable Video Store pay-per-view trial have been a welcome surprise to participating operators. Going into its fourth month at six franchises, the project is drawing monthly cumulative buy rates averaging 200 percent or higher per outlet, well above the subscriber response rates PPV-programmed systems normally accrue.

"On the one hand, we should applaud what's been accomplished because this experiment is daring and innovative," maintains Ken Krushel, American Cablesystems' assistant vice president. "But on the other hand, we need to give this venture more time before we proclaim it an unqualified success or failure. Will the same buy rates be there six months from now? We have to see."

Krushel's assessment typifies the reactions participating operators have for Cable Video Store, which combines store-forward impulse order technology applicable to both one- and two-way addressable systems with a satellite-fed product repertoire utilizing more titles per month than all the national PPV services combined. But on the basis of those initial results, Jerrold executives are convinced that the combination should be the gospel upon which the industry builds a mega PPV fortune and an effective counter-strategy toward VCRs.

"For the first time, we've got an across-the-board demonstration that PPV can penetrate a market significantly and hold tremendous revenue potential," asserts Jerrold Subscriber Systems Division Vice President and General Manager Hal Krisberg. "We think it's the answer to VCRs and video rental stores, and the way that cable can foster the kind of fare that represents true narrowcasting."

The General Instrument cable unit has spent \$1 million on CVS so far, all of it going for product acquisition, satellite time and headend attachments. Each test franchise has put up \$38 per participating household for installation of special adapters, dubbed "sidecars," that are attached to Jerrold addressable converters. The two-way systems running the test—American's Newburyport, Mass., outlet, Vision

Cable of Fort Lee, N.J., and Group W Cable in Burnsville, Minn.—use the Starvue adapter model, while Harron Cable of New Haven, Mich., McCaw Communications' franchise in Medford, Oreg., and Cablevision Industries in Foxboro, Mass., employ a Starfone one-way version. The adapter costs are recouped through \$1.50 to \$1.95 monthly subscriber charges.

Plant problems

Some 1,300 homes possess CVS capability at the moment. With the exception of Vision Cable, each franchise has between 200 and 300 homes equipped for the service. Because of ongoing plant problems, Vision is limiting its test universe to under 100 homes. System officials expect to broaden that base over the summer once some technical conditions are corrected.

Jerrold's venture, transmitting over Satcom IV, transponder 16, showcases 60 different films a month and runs 10 to 12 titles per day. By contrast, Request Television offers two to four films each week, Viewer's Choice carries one title per week on each of its two channels and Telstar Channels spreads 10 to 15 films a week throughout its three satellite feeds. The lineup includes high-profile releases just entering home video/PPV network distribution, titles coming off their first pay network window, recent classics, foreign and children's films.

At least eight to 10 films premiere each month. The June assortment featured *Murphy's Romance*; *White Nights*; *Santa Claus: The Movie*; *Cocoon*; *Ghostbusters*; *Prizzi's Honor*; *Gremlins*; *Rocky IV* and *The Jewel Of The Nile*.

Playing a rare programming role, Jerrold arranges the service's makeup and negotiates product with the studios. Although technically serving as a middleman, the company has managed to snatch product from suppliers wary of such situations, including Universal.

New titles are priced at \$3.99 per buy and appear seven or eight times during the month. Releases that stay in rotation for several months run less frequently and are priced between 99 cents and \$1.99 per buy. "By keeping a lot of product on the shelf, we're copying how a video retailer operates,"

Krisberg points out. "They make 50 percent of their business off the new releases and the rest off a library of classics. Why shouldn't cable replicate that?"

Test subscribers are asked to start ordering a particular film five minutes before it begins by pressing a button on the converter box or a remote control unit. The ordering period runs through the film's first half-hour, signaled by a green light blinking at the top of the screen. Once an order is made, a signal is stored within the adapter and eventually retrieved by the operator using two-way cable or telephone return lines.

Across-the-board, CVS tallied a 230 cumulative buy rate in April, a 295 percent come rate in May, and a 275 percent come rate through most of last month. The venture also has a \$10 average monthly revenue rate per sub. On an individual system level, the high point for both categories goes to Harron's New Haven outlet, which recorded a 434 percent come buy rate and a \$13 average revenue per sub count last month. Vision's universe has averaged a 400 percent buy rate all along, while cumes at Cablevision Industries and American's respective Massachusetts systems fall slightly above 200 percent.

"There will be some drop-off later on, just what you expect with any pay service, but we hope it's not much," adds Chuck Kice, regional manager of the Harron system.

Krisberg's replication theory is proving true, at least in New Haven. Premiere releases account for 58 percent of the orders there, according to Kice.

Under contracts worked out between Jerrold and program suppliers, CVS operators keep 40 percent of the revenue from each buy. Depending on the contract, the studio splits the remaining income with Jerrold on a 50/10 or 55/5 basis.

Michael Egan, Cablevision Industries' programming director, accords high marks to the venture's overall performance, but wants the data retrieval process streamlined before opening it up to the rest of Foxboro's 35,000 addressable households. As things stand now, it takes too long to access the orders at any one time, al-

though the time has been cut by two-thirds from the start of the test due to computer software improvements at the headend, he notes.

But Egan, as well as other officials representing participating franchises, also wants a clear understanding of CVS's potential cannibalization impact on pay before going forward with expanded service. Most of the systems have divided their test universes equally between basic-only, one-pay and multipay households. "We want to see how those situations hold up over time, and six months is a good period from which to make a decisive judgment," Egan says. "What's interesting is that this experiment reminds you of a pay network because there's so much product coming down each month. And what everyone still has to figure out is whether people will buy the secondary films during the summer."

Keep CVS going

All of the participating systems intend to keep CVS going through September. For the majority of test franchises, the project represents their first ongoing PPV experience.

If Jerrold executives have their way, Cable Video Store will shortly launch trials in another 10 or 15 sites across the country, and some of those franchises already program a satellite-fed PPV network. United Cable, one MSO committed to a quick company-wide PPV rollout, is talking with Jerrold about a CVS launch at the end of this month in Hacienda Heights, Calif., where Request TV operates, and it's looking at a non-PPV system yet to be determined.

"It's difficult to draw conclusions from three months' worth of data, but coming out of the gate, this system appears to perform exceptionally well," observes United Cable Programming and New Program Development Director Sheri Herman. "What Jerrold may have hit upon is a system that has a concept consumers clearly understand, the right impulse technology formula and a volume of product that brings in the basic-only subs. Getting the impulse order worked out is critical for PPV's success, and this situation is encouraging."

Indeed, a number of MSOs are beginning to speculate what will happen if CVS continues to draw high buy rates in current markets and gets off to a hot start in future locations. Some analysts believe that a national network will emerge from this, perhaps on a multi-channel basis. ■

Order processing technology subject of SCTE panel

By Roger Brown

With literally hundreds of hardware, software and billing combinations available to systems wishing to implement pay-per-view services, determining which technology is best can be a complicated, painstaking process. What decisions others have made and how some of those systems actually work was the subject of a panel discussion during the Society of Cable Television Engineers' 10th annual conference held in Phoenix June 12-15.

Of the four different types of order processing technology discussed—store and forward, automatic number identification (ANI), audio response unit (ARU) and two-way cable—each has its own set of benefits and pitfalls and none came away the clear winner.

For store and forward and two-way cable, the advantage is their ability to process a high volume of impulse calls placed just prior to the showing of the event. David Dane, chief engineer for American Cablesystems, said his store and forward Massachusetts system can process 4,400 orders per minute in each of the trunk lines. "Our capacity is essentially unlimited," he said.

The system utilizes the Jerrold "Cable Video Store" technology used by two-way plants with the difference being in how the box is authorized and converter polling taking place at a later time.

Because the American system offers PPV movies around the clock, Dane said he prefers to poll the universe in the morning hours when subscriber viewing is low. "Carrying back data (through the system) was easier than we originally thought," Dane told the attendees.

The cost of implementing the PPV capability was high, however. Dane said \$52,000 was spent to upgrade the headend and an extra \$30 or \$40 per subscriber was spent to put sidecar units in the homes.

Conversely, the cost of offering pay-per-view to Viacom's East Bay, Calif. customers was shared by each of the equipment suppliers. Zenith spent about \$50,000 on a Hewlett-Packard 1000 computer to control its Phonevision system and Pacific Bell provides about \$1,000 worth of software per month.

Paff's system, utilizing 16 phone

lines, can process six calls per minute per line, or a total of 96 calls per minute. "The bottleneck in this system, if there is one, is the ANI system," Paff said. "But it's not a real significant bottleneck for the base we're using." But, he added, if the system were rolled out to the entire 21,000-sub base, the present capabilities could pose problems.

Getting his audio response unit-based system on-line was relatively simple for James Chiddix, senior vice president of Oceanic Cablevision in Honolulu, Hawaii. But the biggest drawback of the system, based on IBM's System 38, is the number of calls that can be processed per minute. Using 24 phone lines, each call takes about one minute to be completed, Chiddix said. Nonetheless, the ability to offer pay-per-view has made a "substantial difference in revenue," he added.

Reaching potential customers who don't have touch-tone telephones (a figure generally recognized as 50 percent of the general population; 30 percent of cable subscribers) is another problem Chiddix has tried to overcome through the use of mailers and information included in monthly guides. And, for some as yet unexplained reason, Chiddix said that about 3 percent of all orders are never received or authorized. "We're working very hard (to correct) that," he said.

John Cody, director of technical services at New York Times Cable, recalled the implementation of PPV capability was a "substantial task" because the system was also upgrading to two-way addressable capability.

The system, which serves the south New Jersey suburbs of Philadelphia, has 134,000 subs, 34,000 of which are addressable, with 600 miles of active two-way plant. It uses Jerrold equipment with billing services provided by CableData. With 12 trunk lines, Cody's system can process 4,400 orders per line per minute for a total capability of 52,800 per minute.

But the cost associated with two-way cable has historically been the reason for its slow growth. Similarly, Cody said the cost associated with rebuilding his system amounted to \$1,300 per mile, including the bridge gate control, or about \$26 per subscriber. ■

Small operators in a sellers' market: getting out makes sense, but many don't

By Virginia Munger Kahn

After several years in the cable business, Marsh Media just sold off a third of its cable subscribers to Daniels & Associates. As John Rhinehart, president of Chino Valley Cable Television, one of Marsh's two remaining cable properties, put it, it was "impossible to resist the temptation to sell. In Tennessee, we were going to be facing rebuilds in some of the systems and the price we got and the timing coincided with broader needs of the company."

While the rebuilds affected only a small number of systems and the company could have easily handled the expense, Rhinehart summarized what the company's management likely felt when confronted by the prospect of rebuilding several systems vs. the option Daniels offered: "Why go through all that grief, having to wait to get back your money?" It is much easier to sell.

More and more small- to medium-sized operators are faced with similar choices in an environment that favors selling out to the big guys like never before. That a large share of these cable veterans are opting to take the money rather than the hassles is not surprising. In fact, with system prices higher than ever, what is surprising is the resistance to selling out that continues to sustain the sellers' market, where for every available system a host of would-be buyers waits in the wings with cash in hand.

A variety of steps are being taken among independents and companies in the lower ranks of the MSO hierarchy to shore up their businesses, including cooperation in advertising, marketing and program purchasing. And many, like their larger counterparts, have determined that if they're going to stay in the business, growth, with its economies of scale, is the best route to long-term survivability. Thus, those who are opting to stay in the business, by joining the legion of buyers in search of systems, are contributing even more to the upward pressure on prices and to the temptation to sell.

Pressures to sell

Any operator looking at the question of selling out now or staying in for the long haul faces a host of factors in addition to all-time high system prices

that weigh on the side of cashing in his chips.

For one thing, as Charles Greene, president of Charles Greene Associates, noted, many classic cable systems, like those of John Rhinehart, are facing rebuilds over the next one to three years, and many operators are saying they do not want to fight that battle again. Not only does refranchising mean rebuilding and renegotiating with city officials, but it often means having to go back into debt to finance the build after what may have been a long period of time in which all the company's operating income has gone back into the systems or accrued to the owners. "If you've got good operating profit and margins, and all that's going to go to the bank, then sell," said Greene.

Carl Schmauder, western regional manager for Tidel Communications, a 53,000-subscriber MSO located in Portland, Ore., noted that many small communities feel they are entitled to the same type of cable services as the big cities, and the belief that the local community will demand such service has motivated many an independent operator to get out. Indeed, Schmauder said, at the recent Oregon cable television convention, virtually every operator he met with expressed the belief that now was the time to sell.

The uncertainty over tax law changes has also influenced the market, said Greene. Concerns over the limitations on limited partnerships, which have been used to finance many small systems, capital gains which will now be taxed at the higher income rate, and changes in the treatment of asset sales have all played a role in operators' thinking that the sale of a system in the future may reap less of a reward than one now.

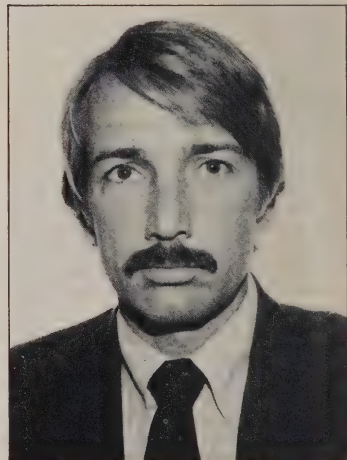
On a more positive level, small- to medium-sized operators are faced with the opportunity to cash out at a high level. "There may never be a better time to sell" is the oft-heard admonishment. Indeed, according to Schmauder, even a small cable system in the Northwest those days can command \$1,300 per subscriber. Every week, these operators are peppered with calls from brokers who have buyers on the line, urging them to sell. With such pressure, independents are selling

when they might not have otherwise, said Greene.

TVRO threat

In addition to the outside factors pressing on operators to sell, the particular difficulties in running small cable companies often influence the decision to get out. Being small poses several problems in running a cable system that larger companies may not have to deal with, such as the increased cost of programming, particularly pay, the added difficulty in obtaining financing, and the threat TVROs present as a result of being located in the same market.

Foremost among these headaches for the smaller MSO is the cost of acquiring programming. According to cable executives, the smaller MSOs may pay as much as 25 to 30 percent more for their programming than the larger companies. "This really cuts into operating margins," noted Marsh's Rhinehart, with estimates of damage up to 5 percent. Not only does this put pressure on the bottom line, but it makes it more difficult for smaller companies to bid for franchises or systems on the open market against larger companies. In the case of bidding for franchises, independent operators have to charge more for their service or be willing to take a smaller profit in order to be competitive on



John Rhinehart

rates. In the case of bidding for a system on the market, the independents often will not be able to bid as high a price because their programming costs take a bigger chunk out of their revenues.

As Carolyn Chambers, president of Chambers Cable Communications, noted, "We have as many contracts, but not the economies to help spread the costs."

Programmers say they provide discounts to their larger customers because it is easier to bill one company for 100,000 subscribers than 10 companies for that same number of subs, and it is easier to deal with one person at a single MSO than 10 people at 10 different companies. But, according to Michael Pandzik, executive director of the National Cable Television Cooperative, the programmers do not send single bills to many of the major MSOs and they do not receive a single check from these companies. Instead, each limited partnership and joint venture within the MSO often is treated separately.

Reducing costs

Formed a little over a year ago, the cooperative's goal is to reduce the operating costs of its members, who range in size from a 230-subscriber company up to one with 300,000 subscribers. Yet, even Pandzik admits the co-op's 40 member companies, representing 800,000 basic subscribers, have been struggling to obtain the same kinds of discounts afforded the major MSOs. "We're probably the 11th largest MSO," said Pandzik, "yet, none of our members even approach those kinds of discounts." For example, co-op members are currently paying between \$60,000 and \$70,000 a year more to WTBS common carrier Tempo Enterprises than the top three MSOs combined. "They (Tempo) have refused to come halfway," said Pandzik.

According to Pandzik, what is particularly galling is the programmers' charge that the organization is not 51 percent owned by a single entity even though companies like Heritage Communications are able to get discounts by counting as their own, subscribers in the Dallas system in which the company actually has a 45 percent ownership position. Jones Intercable is another company with a variety of limited partnership interests that nonetheless count toward that company's total subscribers, said Pandzik.

But, despite the co-op's difficulties, John Rhinehart, for one, called it "the

best hope of the small- and medium-sized MSO." However, according to another cable executive, the cooperative has not proven itself effective, especially in the area of negotiating attractive programming contracts. "We can negotiate just as good contracts for ourselves," said the operator.

The onset of scrambling is also posing problems for independent MSOs. While most view scrambling as a positive step, especially in light of the location of most TVROs in small- to medium-operator territory, the expense of installing descramblers for some companies, particularly the smallest ones, may give them pause. Each headend could cost as much as \$3,000 to \$4,000 and many of these companies have 15 to 20 headends, noted Charles Greene. Yet, most operators said they should not have trouble affording the equipment and that they welcome the onset of scrambling.

Obtaining financing has always proven more difficult for smaller operators because their needs have not been as great. Attracting the more aggressive lenders has been difficult and in many cases, independent MSOs have been forced to deal with local lenders who know little about cable television and thus are unwilling to provide payment schedules that more nearly reflect the development of the cable sys-

tem. "It has always been much tougher for them," said John Waller, president of Waller Capital Corp., and not much as changed.

Lucrative business

But according to at least one cable executive, one of the most serious concerns he faces at this time is the threat of overbuilds. While the cable deregulation bill and the financial community's resultant enthusiasm for the industry have been welcomed by many operators, for Ted Dumas, vice president of Western Louisiana Video, which serves 16,000 subscribers in three states, they have spelled nothing but trouble. "I've never been denied a rate increase," he said, but now because the business is perceived as so lucrative "everyone wants a piece of the pie and as far as I can see it's already sliced pretty thin."

The threat is coming not only from satellite dish dealers in his area who are seeking franchises from local authorities so that the pay services will sell them their programming, but also from city governments, which anytime the cable operator comes in with a request for a rate increase, raise the possibility of bringing in other operators. The problem stems from the inability of local residents and their town officials to understand why they must pay

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June 1986

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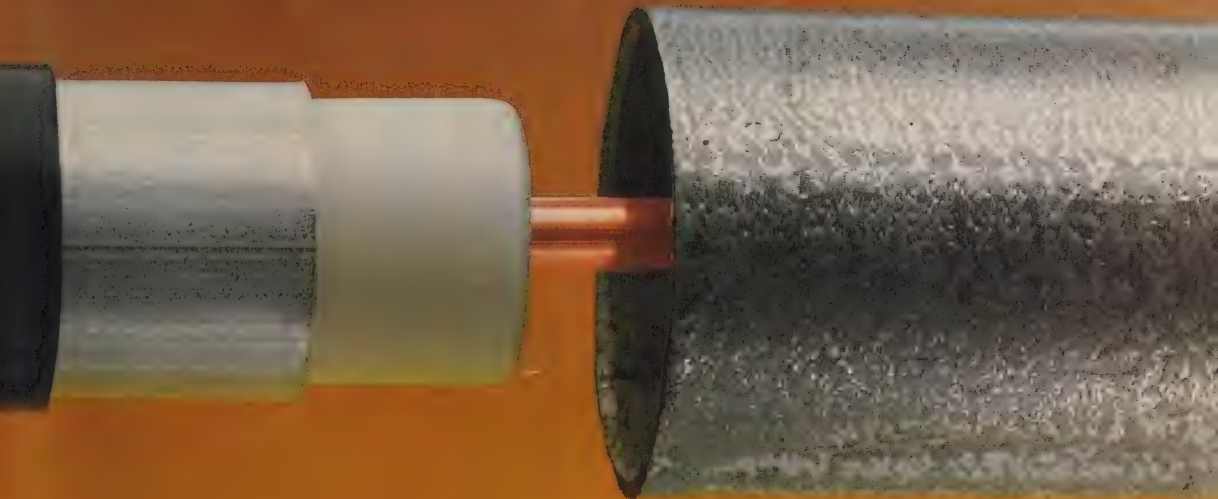
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\$11 for basic service, while in Boston the same service is available for \$2. "Everyone wants to live in the country, but they want big city services," said Dumas.

Yet, if the challenges before small- and medium-sized MSOs seem daunting, to the men and women who operate these systems and have decided to stay in the business, the rewards, both personal and financial, far outweigh the risks. Most independent operators who've decided to stay in the business run highly successful businesses.

As Charles Greene noted, small to medium MSOs generally operate at better margins than the bigger MSOs. "I've seen as high as 60 percent (cash flow margins) and very seldom are they below 45 percent," he said. In contrast, most larger MSOs average cash flows below 45 percent. Gene York, vice president for operations at Metro Cable, a 14,000-subscriber MSO in Wyoming, put it succinctly when asked why he was not ready to sell out yet: "Because we're making money."

Ted Dumas said the big difference is in the management. In general, the smaller systems have far less overhead and run a more streamlined operation. Keeping those personnel costs in line is

considered extremely important in a smaller company where an added cost here or there can make a big difference in how well the company performs financially. Metro Cable's York said his company has hired many part-time employees to take the pressure off the expense of hiring full-time staffers. However, as most operators will admit, the cost of keeping operations tight is often paid by the operators themselves. "Most people I know are putting in 12- to 18-hours days," noted Tidel's Carl Schmauder.

In addition to tight management operations, these companies also benefit financially from the fact that their systems were built at least 10 to 15 years ago such that costs have been amortized out at this point, noted Steve Efros, president of the Community Antenna TV Association.

Rebuilds necessary

While this steady stream of profits diminishes enthusiasm for investing in the system when it comes time to re-franchise, those cable operators who want to stay in the business said they realize that to add value to their companies and increase revenue potential, upgrades and rebuilds are a necessary

component of doing business. Carolyn Chambers, president of Chambers Cable Communications, a 49,000-subscriber MSO headquartered in Eugene, Ore., sees rebuilding simply as a cost of doing business, a "rite."

As Western Louisiana's Dumas said, "Good operators do not wait until their franchise has to be renewed before they consider rebuilding." His company started the process about five years ago, upgrading most of its systems to 36 channels.

Gene York's company has done the same, cognizant of the added value such rebuilds and upgrades bring to the systems in the future. "If a buyer does not have to go in and do a rebuild," the system is worth much more, he noted.

Adelphia Communications is another company that sees rebuilds as opportunities for growth. Started 34 years ago by John Regis, the company has bought several systems that smaller operators either did not or could not face rebuilding. Such systems are "challenges," according to Adelphia Vice President Michael Regis, one of three Regis sons now working at the company, which provide the opportunity to add new satellite services, increase cash flows, and provide the parent company with additional leveraging capability for its acquisition program.

As is the case with many small MSOs who have decided they want to stay in the business, Adelphia, which is small no longer, sometime ago determined that it must grow. As a result, the company currently serves some 210,000 subscribers and is scheduled to take possession of an additional 125,000 in October when its acquisition of International Cable in Buffalo is completed.

Growth is essential

Growth brings its own problems, noted the younger Regis, but "we feel we have to obtain a certain size, that we do want to stay in the business." As it is, the company operates at "fairly large margins," according to Regis, the result of paying attention to keeping overhead low and expenses down. But the larger Adelphia gets, the more likely the company will be entitled to even more discounts, he said, which will result in even better operating performance.

The imperative of growth is also evident in the desire by several of these operators to tie their small systems together in clusters. As Gene York noted, only then can the company take advantage of new services that add

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Ted Dumas

revenues such as home shopping and security systems. Below a certain size, these services are simply not economical to offer, he noted.

It is this promise of growth in the future that may be one of the most important reasons for staying in the business. "The value of cable itself has only barely been touched upon," said

York, noting that services such as home shopping have burst on the scene somewhat unexpectedly. "There are many different things that cable can do besides provide home entertainment," he said.

Bob Jones and Judy Bean, executive vice president and vice president, respectively, at Malarkey-Taylor & Associates, said that independent MSOs are just now beginning to realize they own very valuable assets and that they can borrow on that to enlarge their businesses from a 1,500-subscriber company to a company serving 4,000 to 5,000 subscribers.

As such, acquisitions are an important aspect of all the independent operators' business strategies, despite the high prices in the market now. "There is a consolidation going on now," said Steve Effros, "where individual systems are being merged into groups of systems." Those that are doing the acquisitions are the small and medium sized MSOs. "The future looks very strong for us. We're in no hurry to sell out," said Gene York.

Several operators also noted that despite the problems of operating smaller companies today, some of those problems may look worse than

they are really. For example, the decline in pay television has not affected smaller operators as badly as some of the larger, more sophisticated cable systems. "Premium services have gone down, but we never relied on them too much anyway," noted Ted Dumas. "Our bread and butter has always been the basic services."

Competitive prices

In addition, some conditions have improved recently for smaller operators. For example, now that the intensive building stage is over in the industry, equipment suppliers are reportedly more willing to cut deals with smaller operators. "Prices for equipment are very competitive" these days, noted Malarkey-Taylor's Jones.

Moreover, by adopting some of the tools and techniques used by larger operators to smaller systems, independent MSOs have succeeded in increasing the financial performance of their companies. Dumas keeps his systems profitable by bringing larger company marketing techniques to the independent operator environment. According to several sources, many smaller operators do not spend enough money advertising their services and thus, while

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Delivery: All lists shipped within two weeks of receipt of order. Overnight delivery upon request. Lists are shipped directly to you and, thus, become your property. No bonded mailing house is required.

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their penetration rates are usually good, they are not getting the full potential out of the systems. Dumas said his company runs continuous marketing campaigns on its own radio stations and that as a result it has seen its subscriber base grow between 15 and 20 percent. This, despite penetration rates of at least 80 percent in many of the company's systems.

Dumas has also decided to take advantage of the growing TVRO market by not only hooking up home satellite receivers for area residents but also offering a package of programming for that market. "We want them to watch TV. We see additional services there," he said.

In addition, unlike many smaller MSOs, Dumas said the company keeps a 24-hour WATS line open to its subscribers so they can report problems with their service whenever they occur. With a staff of technicians always on hand, whenever a problem is reported, it is fixed immediately. In that way the company avoids having to issue credits to subscribers for service outages, said Dumas.

In the end, the key to making independent systems work lies in keeping them streamlined and efficient. "You really have to watch your nickels and dimes," said John Rhinehart. Despite the higher programming costs and some unique problems, most of these systems offer their owners a rewarding way to make a living, not only financially but personally as well.

When it comes to making a decision on whether or not to stay in the business, objective factors may play a role. For example, several operators said they did not believe the market had yet hit its high. But more often than not, the decision is based on a highly individualistic need, such as the desire to retire. As John Waller, president of Waller Capital Corp., noted, "Usually, it's a very personal decision. The question is always one of what would the person do instead? Where else would they invest their money that would give them the kinds of returns they're getting now in cable?"

Add to those considerations the independence small operators have to make their own decisions and act quickly and the pride associated with building a business from scratch, and you have powerful attractions for staying in the business, despite the current allure of selling out.

"We can't get jobs anywhere else," quipped Metro Cable's York. Said Ted Dumas, "I'm making money. I enjoy the business, and I don't have anything else I'd rather be doing."

NOTES

Atlantic Metrovision sold to Signet

ROANOKE, Va.—Atlantic Metrovision Corp. has sold five Virginia cable systems to Signet Cablevision of Grosse Pointe Park, Mich. With the acquisition of Atlantic Metrovision, Signet has added more than 6,000 subscribers to its Virginia systems.

Donald A. Perry Associates repre-

sented the seller in this transaction.

Matrix sells all cable holdings

TAMPA, Fla.—Matrix Enterprises Inc. of Franklin, Tenn., has sold all of its cable television holdings, consisting of 42,000 basic and 30,000 pay television subscribers, to First Carolina Communications Inc. of Rocky Mount, N.C. The sale includes systems in Kentucky, Ohio, Tennessee and Illinois, passing a total of 94,436 homes with 1,651 miles of plant.

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The buyer has other cable systems in Illinois, North Carolina, South Carolina and Virginia with over 100,000 subscribers.

John Long, vice president of Communications Equity Associates, represented Matrix in the transaction.

American agrees to buy Massachusetts systems

BEVERLY, Mass.—American Cable-systems Corp., through its affiliate, American Cablesystems Northeast, a limited partnership, has agreed to purchase the cable systems serving Clinton, Sterling, Lancaster and Winchendon, Mass. The sellers are two general partnerships, Wachusett Cablevision and Wachusett Cablevision of Winchendon.

The Clinton system, which also serves Sterling and Lancaster, has approximately 4,600 subscribers and passes approximately 6,800 homes. The Winchendon system serves approximately 1,700 subscribers and passes approximately 2,000 homes.

C4 Media acquires Ozark properties

TULSA, Okla.—Ozark Summit Cable Inc. of Marshfield, Miss., has sold its cable TV systems serving Marshfield, Strafford and Forsyth, all in Missouri to C4 Media Corporation of Vienna, Va. The systems pass 3,570 homes and serve more than 14,00 basic subscribers with 71 miles of plant.

C4 Media Corporation also owns and operates cable properties in Missouri, Kansas and Oklahoma. Tom Belcher, president of Communication Resources Unlimited Inc., represented the seller in the transaction.

C4 Antenna Tech sold to Swiss investors

SCOTTSDALE, Ariz.—Antenna Technology Corp. has been purchased by Middle Eastern Technologies, a Swiss group of investors represented in the United States by President Gary S. Hatch and Vice President Scott Grone.

Three new areas of involvement for Antenna Technology will be cable television, TV broadcast and real estate investment. They will continue to sell and install earth stations and the Simulcast multibeam antenna.

The new corporate location will be in Mesa, Ariz.

TDA sells properties to First Carolina

CHICAGO—Telephone and Data

Systems Inc. has sold four of its cable systems to First Carolina Communications Inc. First Carolina is a privately held cable holding company which owns or manages several cable systems in the Southeastern United States, including systems that are adjacent to the TDS systems sold. TDS is continuing negotiations for the sale of its Minnesota and Wisconsin cable television properties.

Malarkey-Taylor Associates Inc., acted as advisor to TDS in this transaction.

Eagle Cable buys Oklahoma systems

TULSA, Okla.—Eagle Cable Inc. has purchased nine Oklahoma cable television systems from Gleason Communications Systems Inc. of Verdigris, Okla.

The company purchased the systems as part of a limited partnership which includes Doug Dittrick, who finishes his tenure as president of Tribune Cable at the end of this month, and D. Zachary Helmerich. The systems range in size from 40 to 700 subscribers, and total 1,600 subscribers with 3,500 homes passed. All are in northeastern Oklahoma except the system serving Billings, Okla. The largest system in the group is in Verdigris, northeast of Tulsa.

The financial advisor for the purchase was David Laughrey, president of The Laughrey Co.

Fayette Cablevision of Missouri sold

TOPEKA, Kan.—Fayette Cablevision Inc. of Missouri has sold its cable television systems serving the communities of Lexington, Fayette, Glasgow, Brunswick, Wellington and Armstrong, to Cable-Video Enterprises Inc. These systems pass 3,200 homes and have collectively, 2,400 basic subscribers and 1,310 pay subscribers.

The buyer was represented by the brokerage firm of Hardesty, Puckett, Queen & Co. of Topeka, Kan.

Northland acquires three systems

SEATTLE, Wash.—Northland Telecommunications Corp. has completed the acquisition of three cable television systems in Lamesa, Texas, Forest City, N.C., and Clemson-Seneca, S.C.

The Texas system is located 60 miles south of Lubbock, Texas, and currently serves approximately 3,700 subscribers. The seller was Lamesa Cable TV Co., a Texas corporation. The North Carolina and South Carolina systems currently serve over 16,000 subscribers in Forest City, Ruth,



Atlantic Cable Show sponsors launched this year's campaign for the Atlantic Cable Show '86 to be held in Atlantic City, October 28 through 30 ("Cable's on a Roll. You can bet on it.") during a press conference recently at Gallagher's Steak House in New York City. The sponsors are, from left to right, Richard Alteri, New York Cable TV Association; Diane Quinton, New Jersey Cable TV Association; Hal Wolf, ACS '86 Associate Director; Nancy H. Becker, New Jersey Cable TV Association; John Kurpinski, ACS '86 Associate Assistant Director; and Stan Singer, Pennsylvania TV Cable Association. Missing from the photo is Charles Ross, Maryland/Delaware Cable TV Association.

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*Source: NHI, May, 1983. M-SA, 7A-1A. Subject to qualifications available on request.

Rutherfordton and Spindale, N.C., and Clemson, Central, Liberty, Pickens, Walhalla, Westminster, Whispering Pines and Williamston, S.C. The seller of the systems was Video Properties, Ltd.

C4 Media acquires Tomberlin Tech

TAMPA, Fla.—Tomberlin Technology Inc. of Hendersonville, Tenn. has been acquired by C4 Media Corp. of Vienna, Va. Tomberlin Technology serves 7,200 basic subscribers and 3,830 pay subscribers with 305 plant miles passing 13,000 homes. C4 serves over 30,000 subscribers in the states of Missouri, Kansas, Oklahoma, North Carolina, Kentucky and Tennessee.

Donal Bosson, vice president of Communications Equity Associates, represented the seller in this transaction.

El Paso system sold to United

WASHINGTON, D.C.—KDBC-TV of El Paso, Texas, has been sold by El Paso Television Co. to KDBC-TV Inc., a subsidiary of United Broadcasting Co. of Little Rock, Ark.

KDBC-TV is a CBS affiliate; authorized power is 100 kw visual, 10 kw aural and the antenna is 1,563 feet above terrain.

Communications Equity Associates represented the seller in the transaction.

Oregon Cable system sold to Mountain Cable

TAMPA, Fla.—Sisters Cable TV Co. of Warm Springs, Ore., has been sold to Mountain Cable Television Inc. of Sisters, Ore. The system serves more than

STOCK MARKET

EXCH	COMPANY	CLOSING QUOTE 6/8/86	CLOSING QUOTE 6/20/86	NET CHANGE IN PERIOD	PERCENT CHANGE IN PERIOD	P/E RATIO	ANNUAL DIV YLD%	52 WEEK HIGH	52 WEEK LOW	
MSOs & PROGRAMMERS										
ASE	ACTON	1.75	2.38	.63	36.00	d	0.00	0.00	3.25	1.13
ASE	ADAMS RUSSELL (H)	38.25	40.63	2.38	6.22	26	.16	39	42.50	23.63
OTC	AEL INDUSTRIES (cl a) (L)	12.75	11.75	1.00	-7.84	12	0.00	0.00	17.00	11.25
ASE	CABLEVISION SYSTEMS (a)	19.25	18.63	-.62	-3.22	d	0.00	0.00	20.50	13.50
NYS	CENTEL	55.38	55.63	.25	.45	12	2.44	4.39	56.25	39.50
OTC	COMCAST	28.88	27.88	-1.00	-3.46	37	.12	.43	29.75	17.00
NYS	DISNEY	51.25	50.75	-.50	-.98	35	.32	.63	52.25	20.38
OTC	FINANCIAL NEWS NET (H)	9.25	16.13	6.88	74.38	230	0.00	0.00	21.38	4.13
NYS	HERITAGE COMMUNICATIONS	26.00	26.25	.25	.96	61	0.00	0.00	28.25	15.75
OTC	JONES INTERCABLE (H)	14.25	14.88	.63	4.42	36	0.00	0.00	16.75	5.13
NYS	MCA	48.38	49.88	1.50	3.10	23	.68	1.36	56.50	36.75
OTC	MULTIMEDIA (H)	38.00	40.75	2.75	7.24	29	0.00	0.00	41.25	18.63
ASE	NEW YORK TIMES (H)	74.50	80.00	5.50	7.38	27	.72	.90	80.00	37.75
OTC	NORTH AMER. COMM. CORP.	11.00	10.75	-.25	-2.27	—	0.00	0.00	11.25	8.50
NYS	PLAYBOY ENTERPRISES	6.75	6.75	0.00	0.00	d	0.00	0.00	10.38	6.38
OTC	REEVES COMMUNICATIONS	13.63	12.13	1.50	-11.01	d	0.00	0.00	16.13	9.38
OTC	ROGERS CABLESYSTEMS (cl a)	14.75	15.63	.88	5.97	d	0.00	0.00	16.63	11.38
NYS	ROLLINS COMMUNICATIONS (H)	38.38	38.88	.50	1.30	43	.42	1.08	39.25	23.50
NYS	TAFB BROADCASTING (H)	100.25	106.50	6.25	6.23	50	1.16	1.09	107.00	72.00
OTC	TCB CABLE TV	19.75	20.75	1.00	5.06	35	.16	.77	22.38	17.50
OTC	TELECOMMUNICATIONS	53.88	54.00	.12	.22	208	0.00	0.00	57.00	30.00
OTC	TEMPO ENTERPRISES (H)	13.38	20.00	6.62	49.48	77	.14	.70	21.25	5.50
NYS	TIME INC. (H)	84.25	90.50	6.25	7.42	28	1.00	1.10	91.38	52.00
NYS	TIMES MIRROR	63.75	66.75	3.00	4.71	20	1.50	2.25	68.63	43.75
NYS	TRIBUNE CO.	74.50	77.00	2.50	3.36	15	1.00	1.30	78.00	43.00
ASE	TURNER BROADCASTING	27.50	26.63	-.87	-3.16	53	0.00	0.00	29.25	10.75
OTC	UNITED ARTISTS COMM	18.00	18.50	.50	2.78	53	.04	.22	19.50	8.88
NYS	UNITED CABLE TV (H)	30.13	32.00	1.87	6.21	80	.06	.25	32.88	18.25
NYS	VIACOM	31.00	31.00	0.00	0.00	30	.28	.90	36.88	20.88
NYS	WARNER COMMUNICATIONS	54.13	53.38	-.75	1.39	19	.50	.94	55.13	28.25
SERVICE & FINANCIAL COMPANIES										
OTC	BURNUP & SIMS	6.00	5.50	-.50	8.33	—	0.00	0.00	8.88	4.75
NYS	CAPITAL CITIES COMM.	246.50	243.50	3.00	-1.22	27	.20	.08	256.00	183.25
NYS	GULF & WESTERN (H)	63.50	65.00	1.50	2.36	19	.90	1.38	65.88	37.25
MANUFACTURERS & DISTRIBUTORS										
OTC	AM CABLE TV	1.75	1.50	-.25	-14.29	d	0.00	0.00	3.50	1.44
OTC	ANIXTER BROTHERS	10.63	11.38	.75	7.06	19	.16	1.41	13.00	6.75
OTC	ARTEL COMMUNICATIONS	4.00	4.25	.25	6.25	d	0.00	0.00	8.50	3.00
NYS	ARVIN	34.88	34.13	-.75	-2.15	14	.64	1.88	35.00	15.13
NYS	AUGAT (L)	19.25	16.88	2.37	12.31	30	.40	2.37	27.50	16.38
OTC	AVANTEK	19.50	17.50	2.00	10.26	19	0.00	0.00	24.00	17.00
OTC	CABLE TV INDUSTRIES	2.75	2.69	-.06	-2.18	—	0.00	0.00	4.00	2.44
OTC	C-COR ELECTRONICS	6.50	7.00	.50	7.69	d	0.00	0.00	8.50	4.75
OTC	COMPACT VIDEO	5.13	5.50	.37	7.21	d	0.00	0.00	8.50	4.50
NYS	CONTL. TELECOMM.	29.00	29.88	.88	3.03	9	1.88	6.29	31.00	22.00
OTC	DATAVISION (H)	3.00	3.63	.63	21.00	d	0.00	0.00	3.75	.75
OTC	GANDALF TECHNOLOGIES	6.38	7.13	.75	11.76	—	0.00	0.00	7.88	5.25
NYS	GENERAL INSTRUMENT	22.88	21.50	-1.38	-6.03	d	25	1.16	24.63	12.75
OTC	GRAPHIC SCANNING	8.75	8.88	.13	1.49	d	0.00	0.00	9.50	5.75
NYS	HARRIS CORP.	31.50	31.25	-.25	-.79	21	.88	2.82	35.13	22.25
OTC	MIA-COM	16.63	17.75	1.12	6.73	d	.24	1.35	22.50	12.50
OTC	MICRODYNE	5.50	5.13	-.37	-6.73	43	.06	1.17	6.75	4.75
NYS	NORTH AMERICAN PHILIPS	43.63	44.50	.87	1.99	19	1.00	2.25	48.00	31.63
NYS	OAK INDUSTRIES	1.75	1.63	-.12	-6.86	d	0.00	0.00	3.00	1.25
ASE	PICO PRODUCTS	2.50	2.63	.13	5.20	d	0.00	0.00	3.38	1.75
OTC	PIONEER ELECTRONICS	28.25	27.13	-1.12	-3.96	d	.10	.37	29.38	13.75
OTC	RADIATION SYSTEMS	13.50	12.63	-.87	-6.44	16	0.00	0.00	15.88	9.13
OTC	REGENCY ELECTRONICS	6.88	6.38	-.50	-7.27	d	0.00	0.00	8.13	4.63
ASE	RMS ELECTRONICS	4.25	4.25	0.00	0.00	d	0.00	0.00	5.88	3.38
NYS	SCIENTIFIC-ATLANTA	10.63	10.38	-.25	-2.35	18	.12	1.16	14.88	9.75
OTC	SIGMAFORM	8.38	8.00	-.38	-4.53	27	0.00	0.00	10.00	5.75
OTC	TECH. COMM. INT'L	16.88	15.50	-1.38	-16.22	32	0.00	0.00	19.00	8.75
NYS	TEKTRONIX	60.88	60.25	-.63	-1.03	20	1.00	1.66	65.50	47.38
ASE	UNITEL VIDEO	9.13	9.50	.37	4.05	d	0.00	0.00	10.13	5.25
NYS	VARIAN ASSOCIATES	27.75	23.00	-4.75	-17.12	33	.26	1.13	32.25	22.50
OTC	WAVETEK	8.75	9.63	.88	10.06	d	0.00	0.00	11.00	6.00

MARKET DIARY:

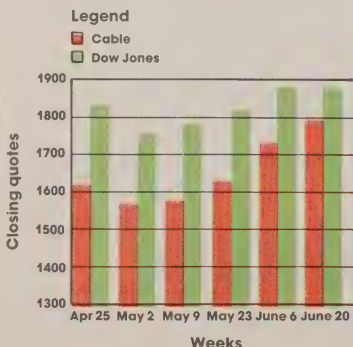
LARGEST DOLLAR GAINER...	Financial News Net.....	\$6.88
LARGEST DOLLAR LOSER...	Varian Associates.....	-\$4.75
LARGEST PERCENTAGE GAINER...	Financial News Net.....	+74.38%
LARGEST PERCENTAGE LOSER...	Varian Associates.....	-17.12%
(H) = NEW HIGH IN PERIOD		
(L) = NEW LOW IN PERIOD		
d = DEFICIT		
(s) = reflects stock split		

ALL OTC QUOTES ARE REPRESENTED BY THE BID PRICE

Provided by Nordby International Inc., (303) 449-0326. The information and statistics contained herein have been obtained from sources believed to be reliable but are not guaranteed to be all-inclusive or complete. This information is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. The information is subject to change.

Compiled by Nordby International Inc., Boulder, CO 80302 (303) 449-0326.

CableVision Stock Index



BUSINESS & FINANCE

400 basic subscribers in Sisters, passing over 500 homes with 20 plant miles. The seller continues to operate the cable system in Warm Springs.

Pep Shappee, a broker with Communications Equity Associates, represented the seller in the transaction.

Bresnan acquires Rapid River system

WHITE PLAINS, N.Y.—Bresnan Communications Co. has purchased from Rapid River Cable TV Inc., the cable system in Rapid River, Mich.

The company serves more than 45,000 customers in 46 communities with offices in Calumet, Escanaba, Iron Mountain, Ironwood, Marquette and Sault Ste. Marie.

RCH to construct NJ system

RIVERSIDE, N.J.—RCH Communications Inc. was granted municipal consent to construct a CATV system in Washington Township, Mercer County, N.J. Washington Township currently has 2,000 homes in its initial service area and will grow to 8,000 homes passed within the next 4 years.

CMS to install four sub management systems

SAN FRANCISCO—Creative Management Systems Inc. has signed contracts for installation of System 1, CMS' subscriber management system for: Cable U.S.A. in Pennsylvania and West Virginia, 32,000 subscribers; BuenaVision in California, 6,000 subscribers; and two new builds also in California, Rancho Santa Margarita and Shea Cable.

Taft reports fourth quarter results

CINCINNATI, Ohio—Taft Broadcasting Co. reported net earnings of \$19.4 million and net earnings per share of \$2.11 for the fiscal year ending March 31, 1986. Both were down approximately 60 percent from the corresponding figures a year ago, reflecting anticipated dilution from the acquisition of the television and radio stations of Gulf Broadcast Co., an unusual write-down in the Entertainment Group and a net gain on the sale of certain assets. Together, these items reduced earnings by approximately \$23.5 million or \$2.55 per share. Fiscal year 1986 revenues were \$472.8 million, up 26 percent, and operating profit was \$81 million, down 10 percent.

June, 1986

SOLD

MATRIX ENTERPRISES, INC.

serving 42,000 basic and 30,000 pay t.v. subscribers in Kentucky, Ohio, Tennessee and Illinois has been sold to

FIRST CAROLINA COMMUNICATIONS, INC.

of Rocky Mount, North Carolina

The undersigned represented the seller in this transaction. This notice appears as a matter of record only.

851 Lincoln Center
5401 W. Kennedy Blvd.
Tampa, FL 33609 813/877-8844

1255 23rd Street, N.W.
Suite 650
Washington, DC 20037 202/857-2535



COMMUNICATIONS
EQUITY
ASSOCIATES

This announcement appears as a matter of record only.

May 30, 1986

Telephone and Data Systems, Inc.

through its subsidiary

TDS Cable Communications Company

has sold

Home CATV Company, Inc.

to

First Carolina Communications, Inc.

The undersigned served as financial advisor to Telephone and Data Systems, Inc. and assisted in the negotiations.

MALARKEY-TAYLOR ASSOCIATES
TELECOMMUNICATIONS FINANCIAL, MANAGEMENT AND ENGINEERING CONSULTANTS

1301 Pennsylvania Avenue, N.W. Suite 200 Washington, D.C. 20004
(202) 737-2300 (800) 424-8036 Telex 64809

June, 1986

SOLD

TOMBERLIN TECHNOLOGY, INC.

serving 7,200 basic and 3,830 pay t.v. subscribers in Caldwell, Christian, Crittenden, Hopkins, Livingston, Todd, Trigg, McLean and Muhlenberg Counties, Kentucky, and Stewart County, Tennessee has been sold to

C4 MEDIA CORPORATION

of Vienna, Virginia

The undersigned represented the seller in this transaction.
This notice appears as a matter of record only.

851 Lincoln Center
5401 W. Kennedy Blvd.
Tampa, FL 33609 813/877-8844

1133 20th Street, N.W.
Suite 260
Washington, DC 20036 202/778-1400



COMMUNICATIONS
EQUITY
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The company also reported that for its fourth fiscal quarter ending March 31, 1986, it had a net loss of \$13.8 million, or \$1.49 per share, compared to year ago net earnings of \$6 million, or 66 cents per share.

TCA Cable reports revenues for second quarter

TYLER, Texas—TCA Cable TV Inc. reported higher results for the second quarter and six months ended April 30, 1986. Revenues for the three months increased 13 percent to \$11,981,000 from \$10,624,000 and operating income before depreciation increased 16 percent to \$6,009,000 from \$5,171,000 in the comparable period last year. Operating income increased 8 percent to \$3,547,000 from \$3,276,000. Net income was \$1,588,000, or 15 cents per share, up from \$1,543,000, or 14 cents per share.

Revenues for the six months were \$23,623,000, up from \$20,845,000 and operating income before depreciation was \$11,544,000, up from \$10,316,000 in the comparable period last year. Operating income was \$6,651,000, up from \$6,567,000. Net income was \$2,778,000, or 26 cents per share, compared to \$3,115,000, or 29 cents per share.

HSN reports record third quarter operating results

CLEARWATER, Fla.—Home Shopping Network Inc. reported increased sales and earnings for the third quarter and nine months ended May 31, 1986. Net sales for the third quarter totaled \$42,895,000, up 1,072 percent from the \$3,661,000 reported in the same period last year. Net income reached \$4,585,000, or 36 cents per share, up 4,531 percent from \$99,000, or 1 cent per share, earned in the third quarter a year ago.

Nine months sales were \$106,757,000, advancing from \$11,946,000 in the comparable period last year. Net income totaled \$11,424,000, or 92 cents per share, up 5,000 percent from \$224,000, or 2 cents per share, earned in the nine-month period a year ago.

Fleet issues \$400 million floating rate notes

PROVIDENCE, R.I.—Fleet Financial Group Inc. reported a new issue of U.S. \$100 million of floating rate subordinated capital notes due 1998 and priced at 100 percent, plus accrued interest, if any, from June 19, 1986. Salomon Brothers International Ltd. is manager of the underwriting group for the new issue, which will not be offered

BUSINESS & FINANCE

for sale in the United States. The interest rate on the Fleet Financial notes has been set at LIBOR plus 1/10 of 1 percent, payable quarterly in arrears.

Proceeds of the issue will be added to the company's general funds and will be used principally to extend credit to, or fund investments in, its subsidiaries.

CVN signs deals with McCaw, ESPN

NEW YORK—Cable Value Network has signed launching agreements with ESPN and McCaw Communications. Under the terms of the agreements, ESPN will represent CVN on a non-exclusive basis in the area of affiliate sales and affiliate relations and will begin servicing McCaw immediately.

CVN now has a total subscriber base of 3,100,000.

Continental Cablevision buys S-A addressable products

ATLANTA—Scientific-Atlanta Inc. has received a \$1 million order from Continental Cablevision of Massachusetts for addressable CATV products. Continental Cablevision is upgrading its Boston suburban systems with Model 8550 addressable set-top terminals and Model 8550-175 remote control transmitters.

Continental Cablevision has used Scientific-Atlanta products in several other sites including St. Paul, Minn., Stoughton, Mass. and Stockton, Calif.

HSN, New Jersey system sign agreement

CLEARWATER, Fla.—Home Shopping Network has signed an affiliation agreement with Cable Television Network of New Jersey Inc. HSN 2 will be carried to 1.1 million homes served by the New Jersey system.

Home Shopping Network 2 is the second 24 hour a day shopping service of the network and features fashions and the latest offerings of high tech products and upscale merchandise. CTN is a joint venture of various cable operators with New Jersey franchises and includes Comcast, Sammons, Storer, Warner, UA Columbia and Group W.

TCI restructures TVRO programming pricing

DENVER—Tele-Communications Inc. has changed its programming pricing plan for home satellite dish owners. The new pricing adds the lease of the

descrambler to the original package of basic for \$1.

TCI's original programming package for home satellite dish owners did not include the descrambling lease.

The company will offer two pay services, the lease of the descrambler and 15 to 20 basic satellite channels for \$29.50 per month. The dish owner will only pay \$23.50 for this package until the basic services scramble, and then the rate will be increased by \$1.00 per scrambled basic channel up to \$29.50.

Texscan, United Bank reach tentative pact

PHOENIX, Ariz.—Texscan Corp. has reached an agreement in principle with its principal creditor, United Bank of Arizona, for disposition of United Bank's \$20 million claim in Texscan's Chapter 11 Bankruptcy proceedings and for settlement of pending preference litigation contesting United Bank's security interest in Texscan's assets.

The general terms of the settlement call for cash payment of \$2 million, together with United Bank's reasonable costs and fees in the Chapter 11 proceedings, and deferred payment of \$13 million over a five year period. Deferred payments would be secured by all of Texscan's assets, but United Bank would agree to subordinate its secured position in Texscan inventory and accounts receivable to a new revolving credit loan not to exceed \$4 million. The remaining \$5 million of United Bank's claim to be dealt with through issuance of Texscan equity securities under Texscan's plan of reorganization.

CableTek converts to Zip plus 4

LEXINGTON, Ky.—CableTek Subscriber Management Systems has converted to the U.S. Postal Service's new Zip + 4 addressing system. CableTek, a data processing service which handles billings for 700 cable television companies, and generates over 6 million cable invoices per month, mailed to all 50 states and Puerto Rico. Over 5 million of those invoices are currently mailed through the Lexington Post Office. Of those addresses, 3.5 million have been converted to Zip + 4, so far.

CableTek is relocating its corporate headquarters from Seward, N.J., to Lexington, Ky. This will involve the consolidation of all the billing and mailing facilities and the processing of all CableTek mailings through the Lexington Post Office.

June, 1986

SOLD

SISTERS CABLE TV CO.

serving Sisters, Oregon
has been sold to

MOUNTAIN CABLE TELEVISION, INC.

of Sisters, Oregon

The undersigned represented the seller in this transaction.
This notice appears as a matter of record only.

851 Lincoln Center
5401 W. Kennedy Blvd.
Tampa, FL 33609 813/877-8844

1255 23rd Street, N.W.
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COMMUNICATIONS
EQUITY
ASSOCIATES

This announcement appears as a matter of record only.

May 30, 1986

Telephone and Data Systems, Inc.

through its subsidiary

TDS Cable Communications Company

has sold

Concord Cable Communications Co.
Sevier County Cable Communications Co., Inc.
Sevierville Cable Communications Co.

to

First Carolina Communications, Inc.

The undersigned served as financial advisor to Telephone and Data Systems, Inc. and assisted in the negotiations.

MALARKEY-TAYLOR ASSOCIATES^{INC.}
TELECOMMUNICATIONS FINANCIAL, MANAGEMENT AND ENGINEERING CONSULTANTS

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Engineers remain wary

Off-premise gear has enough promise to keep some players in the game

By Roger Brown

To hear a proponent of the technology tell it, off-premise addressable systems are by far the most secure systems currently available. In addition, the backers say, off-premise gear eliminates equipment theft from the home, requires fewer technicians and truck rolls for service and is tailor made for the implementation of impulse pay-per-view.

Why, then, did the technology never gain wide acceptance by the industry? According to the manufacturers, a slow marketplace and an industry that is hesitant to accept new technologies and products are to blame for several companies shelving their off-premise hardware. Engineers, on the other hand, argue that existing systems lack reliability, don't fit their needs, are expensive to implement and don't fully address the question of home electronics compatibility.

Several manufacturers of off-premise equipment have either folded their tents completely or put the blueprints in the vault, waiting for the day when industry demand develops. For example, C-COR's Scat system has been pulled off the market and Times Fiber, a leading proponent of off-premise equipment in the past, is quietly rethinking its approach to marketing its Mini Hub 2 system. But there are players still actively marketing product who are convinced that the technology is marketable. But they are now backing off the blue-sky outlook of a few years ago, focusing their sales efforts instead upon small systems with special needs, private cable companies and MDUs.

"Our market is not in the big cities anymore," says Bill Dawson, vice president of business development in Texscan's communication products division. Instead, Texscan is looking in areas that have a "substantial need for security and control," he says.

Texscan, regardless of its well-known financial difficulties, isn't ready to pronounce its TRACS system dead. TRACS (Texscan Remote Addressable Converter System) is essentially a converter placed on a pole outside the home. Inside the aluminum housing

(subscriber module) sits the tuner and interface electronics to serve up to eight subscribers. No scrambling capability is needed at the headend because a clear signal is sent to each module, where a computer control board determines which channels the subscriber will be allowed to receive.

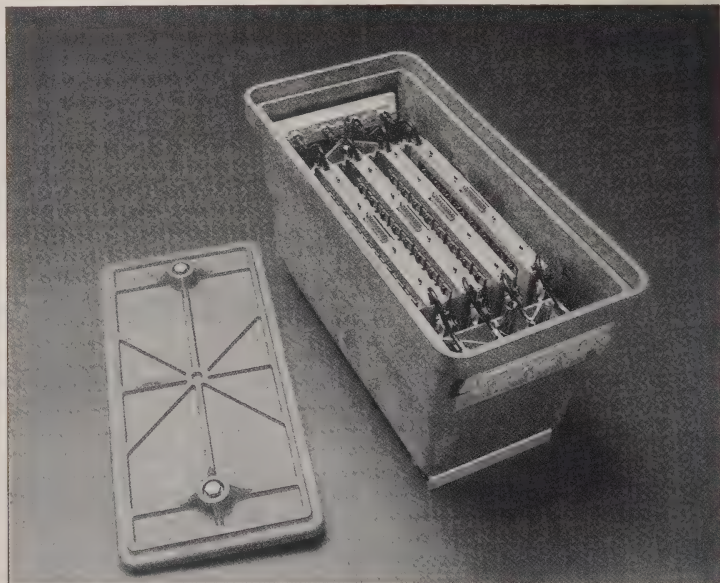
The TRACS system, first produced in the fall of 1983, is now in its second generation of design, says Bob Daniels, vice president and general manager of communications products. Although none of the latter design have been produced yet, Dawson predicts some movement soon. "We'll have something to announce within the next several months," Dawson says.

But it's doubtful that any new contracts will compare in size to the systems already using TRACS (Tampa, Fla., Montgomery County, Md. and Brookfield, Wis.). Instead, Texscan has targeted its sights on resort areas with high numbers of transients, private networks that need centralized control (convention facilities) and sections of cities that experience high

theft rates.

"We've learned that cable is an industry that is very conservative and operators are now trying to operate their systems with as low an investment as possible," Dawson says. "And if the task is to deliver cable services, doing it through TRACS costs substantially more than doing it the cheapest way possible." But Dawson predicts a resurgence of interest in off-premise systems if pay-per-view becomes prevalent.

For AM Cable TV Industries' Vice President of Marketing Phil Verruto though, the missed opportunities were a result of poor timing. "Addressability became very hot just about the time Tier Guard (the off-premise system manufactured by E-Com, a subsidiary of AM) was introduced in 1984," Verruto says. "I think our technology is more attractive than the other but didn't catch on because the product wasn't as fully developed as it needed to be. The marketplace was just a little bit ahead of the product development and lots of MSOs made substantial



Pico's housing unit accepts up to four subscriber modules.

multi-million dollar commitments to alternative technologies."

Tier Guard is an interdiction system that jams and denies reception of premium channels by unauthorized subscribers. The IBM-based system consists of a PC and an area control unit (microprocessor) at the headend with Tier Guard Taps (TGTs) located either on strands outside the home or, in the case of MDU application, on wall mounts. From each tap comes independent drops to the home or residence.

Aerial taps can be configured with four, six or eight ports each and MDU taps have either eight, 12 or 16 ports available, according to Ken Stiouphile, CATV product manager at AM. Each area control unit (ACU) will support up to 250 taps for a total control capability of 4,000 subscribers. IBM's PC/XT will support up to 10 ACU's, or a maximum of 40,000 subscribers. For systems larger than that, AM has developed software that allows the IBM PC to interface with a larger mainframe computer.

Unlike the converter-on-a-pole technology, which sends just one channel at a time, interdiction systems pass the entire spectrum of authorized

channels into the subscriber's home. Proponents note that in addition to the advantage of being consumer friendly with VCRs and second outlets, the technology takes the converter out of the homes of those people with cable compatible sets. For customers with older televisions, a plain converter is all that is needed.

Verruto sees two reasons why today's best opportunities are in systems about to upgrade and in the international marketplace. "Operators are now seeing the advantage of off-premise because of the high rate of equipment theft," says Stiouphile. "Their initial capital equipment costs may be slightly higher, but their service theft protection advantages are much higher in the long run. They're starting to re-think their philosophy."

James Quigley Jr., sales manager of Pico Products' OTAS system, agrees that economics will dictate the shift to off-premise addressability. "With the advent of so many cable-ready TV sets," he says, "the economics really swing toward off-premise because there's less equipment in the home, which is less equipment the operator has to buy, inventory, collect, repair

and install."

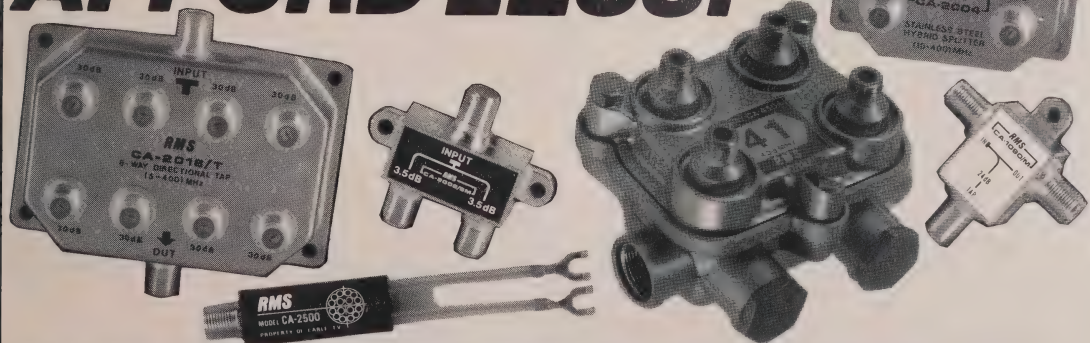
Pico's system, dubbed OTAS for Outdoor Terminal Addressable Security, is also an interdiction system but utilizes active traps to scramble up to seven premium channels. Each trap overwrites a scrambled signal on each channel's video and sync signal. Since the scramble information becomes part of the video modulation, it cannot be removed, according to Pico.

When a subscriber orders a premium service, a command is sent to the central computer, which in turn allows the signal to bypass the trap, passing the clear signal to the subscriber's television.

The OTAS subscriber terminals located outside the home allow for a maximum of 314,415 subscriber addresses per system, but the headend data controllers developed so far will only accommodate 100,000 subs. The data controller can address between 10,000 and 16,000 subs per minute, and all PPV customers can be turned on or off with a single global command.

Steve Brown, system manager of TCI's Delta, Colo. system, where OTAS was first installed nearly three years ago, says he has encountered

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PRODUCTS

problems with getting the data controller to reauthorize the subscriber terminals after a power outage, a common occurrence in the rural Western Colorado town.

"We've declared war on getting those boxes (terminals) back on," says Brown, whose system has 28 miles of plant and 1,700 subs. "Before, it was taking eight to 10 hours to refresh each box, so the techs would go out and just hook people up directly to the taps and take out the box. We've come to find out it's not a box problem, it's a controller problem. So now we have to go back and put the boxes back up." However, Brown says, Pico has been slow to get him the necessary parts to correct the problem.

Bob Greiner, another operator using OTAS, has been able to lower his costs by using fewer technical personnel to support the system. Dimension Cable Communications, which serves Phoenix, N.Y., a small bedroom community north of Syracuse, has 31 miles of plant and about 750 subs. Since it is a small system, Greiner says OTAS was chosen because it allows his system to grow without the need for more employees. Greiner predicts his system could reach 45 miles of plant and double the number of subs before he'd need more field personnel.

Because of the system's compatibility with VCRs, Greiner's system has achieved a pay-to-basic saturation of about 170 percent, he says. Dimension encourages its subscribers to purchase cable compatible TVs and VCRs by offering a \$2 monthly discount on premium services.

"What outdoor and off-premise addressability gives us is the opportunity to interface directly with the consumer's cable-ready equipment without harming any of our security," Greiner says. Greiner adds that support from Pico has been "outstanding" and that he has had few technological problems.

In Tampa's two-way system consisting of just under 35,000 subs and 600 miles of TRACS plant, Tampa Cable TV Vice President and General Manager Bob Heide has experienced numerous hardware problems over the two and one half years TRACS has been operating. And, according to Heide, although most of the problems have been worked out with help from Texscan, the system has been plagued by the inability to receive information from the return path. "As a one-way addressable system, it works fine," Heide says. "As a two-way with impulse buy capability, that's the problem we're trying to resolve."

Heide does say that Texscan has been supportive during the struggle to get the system up and running, but the company's cloudy financial picture has slowed his requests for assistance.

"They haven't forgotten us, but (the problems) have not been addressed in as timely a manner as I would've liked it," he says. "But we've still built the system, and it's up and it's going. It's not doing all the things we hoped that it would do, but they're (Texscan) still here working with us and have pledged their support to get us to where we want to be."

Despite the advantages gained by increased security, Heide says the biggest drawback of TRACS, which only sends one channel into the home, is its incompatibility with VCRs. "It's not as consumer friendly as other technologies would be," admits Heide. So in Tampa they treat requests for additional drops as additional outlets and in some cases have put A/B switches in to correct the deficiency.

Off-premise addressability continues to hold promise for some systems gearing up for rebuilds. At Pittsburgh Cable TV in Pittsburgh, Kan., Chief Engineer Gene Baldwin recently did a six-month evaluation of the Tier Guard system

and pronounced it a sound technology that his system is seriously considering.

During the evaluation, Baldwin said 10 Tier Guard Taps were installed and programs were set up to test the signal scrambling. "Everything functioned as planned," says Baldwin, who added that he was satisfied with the results of the test.

The decision on whether or not to use Tier Guard will be made later this year, Baldwin says. "It's a little more expensive (than alternative technologies) but the engineering department believes it will be comparable when the cost of a converter and repairs are taken into account."

But, clearly, Baldwin is in the minority concerning his thoughts about cost. Engineers from the larger MSOs have doubts that the cost per subscriber would even be close to the standard addressable system. "It would be great if you had 100 percent penetration," says Charles Kennamer, engineering manager of addressable technology at Telecable. But since off-premise systems must be built to accommodate every home passed, non-subscribers represent wasted investment.

"Perhaps more than that is the con-

cern for reliability of sensitive equipment placed out in the hostile environment," adds Kennamer. "I think that, technically, would be my largest concern." As a result, Kennamer says Telecable plans to sit back and wait for some evidence of success before any decision is made to go with an off-premise system.

TCI, the MSO that participated in the test of Pico's OTAS system in Colorado, is likewise settling into a wait-and-see attitude concerning off-premise. "We remain open to new products and new approaches and we're looking at out-of-premise gear all the time," says Dave Willis, TCI's director of engineering. "But we don't see the answer to our particular needs out there anywhere today."

Other industry engineers contacted express doubt about buying off-premise addressable equipment from companies that are on shaky financial footing because of the possibility that they would be stuck with technology that couldn't be serviced.

But, as Kennamer notes, off-premise systems make sense in some instances, and if those manufacturers can identify and fill those needs, there may yet be a rosy future for the technology. ■

NOTES

High fidelity isolation transformers

North Hills Electronics has introduced a new line of isolation transformers, engineered to eliminate ground-loop problems with minimal signal degradation on video and other wideband data lines.

The devices eliminate hum, cross-talk, voltage differentials and other interference due to differences in ground potentials or induced common-mode noise to ensure outstanding signal transmission (over 120 dB attenuation of interference at power line frequencies).

North Hills Electronics, 1 Alexander Place, Glen Cove, N.Y. 11542 (516) 671-5700.

ART Machines launches 'Cable Advertisers'

Art Machines Inc. has announced "Cable Advertiser," a powerful secretary-friendly computer graphics and invoicing system for cable television advertising channels.

Cable Advertiser is designed to replace alphanumeric advertising with full color images, a wide range of text styles and special effects. Cable Advertiser graphic functions, include: instant digitizing in full color from flat artwork, an "undo" function, multi-level zoom and pan, 32,768 displayable colors, drawing functions and automated drawing aids, brushes and brush-customization options, 56 high-resolution type fonts, word-processor style entry of headlines and text, color graduations for backgrounds and images, real-time cut and paste, blending, mirroring, self-aligning grids and various levels of color transparency.

Logging and billing software, enables the system to generate a log of image show times which is accurate to a fraction of a second, recorded as the system automatically runs an ad

show, generate a log and affidavit of all ad showings for each individual client as well as generate invoices and other financial reports. The system includes a modified high-performance IBM-AT computer, high-resolution video input camera with macro-zoom lens, copy stand with cooled quartz lights, state-of-the-art graphics hardware and software, encoder, special-effects and sequencing software, billing software, billing printer and image proofer.

Art Machines Inc., 611 Broadway, Suite 613, New York, NY 10012 (212) 505-6400.

Scientific-Atlanta introduces new television modulator

Scientific-Atlanta Inc., has introduced the Model 9220 television modulator. This modulator features a one and three-quarter inch high, full-rack-width chassis for ease of installation. The design of the Model 9220 modulator integrates a surface acoustic wave (SAW) filter for adjacent channel filtering.

The modulator's controls, indicators and an output test point are mounted on the front panel for easy monitoring, access and adjustment. The Model 9220 has spurious output specifications and an RF output level of +45 dBmV.

The Model 9220 modulator is the newest addition to Scientific-Atlanta's SMATV product line. In addition to this modulator, the SMATV line includes the Model 9630 satellite receiver, the Model 9320 80° LNB, the HS-9000 2.8/3.2-meter solid antenna and the HS-8000 2.8/3.2-meter perforated antenna.

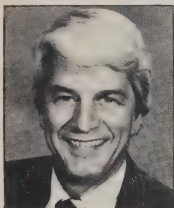
Scientific-Atlanta, Inc. One Technology Parkway, Box 105600, Atlanta, Ga. 30348 (404) 441-4000.

PEOPLE

Harold Morse, founder of The Learning Channel and its president for five years, has been named chairman and chief executive officer of that cable program service. Morse served as education director of the Appalachian Regional Commission. While at the Commission, he directed the Appalachian Education Satellite Project which was The Learning Channel's predecessor.

Jeffrey McQuinn and **Robert Barlow** have been named president and vice president of finance, respectively, for The Enrcom's Tampa Bay Division. McQuinn formerly was president of ATC's Indianapolis Division, and Barlow vice president of finance for the same division. McQuinn joined ATC in June 1982, as first president of ATC's Indianapolis Division. Barlow joined ATC in 1980 and held the positions of director of cable investments and director of financial analysis prior to joining the Indianapolis Division in 1984.

Henry Ansbacher Inc. has appointed **Michael Arnold** as vice president. Prior to joining Ansbacher, Arnold was president and general manager of the Southwest division of Harte-Hanks Cable in Texas.



Richard Taylor has been named vice president and corporate counsel of Warner Cable Communications. Taylor has been with the legal staff of Warner Cable since 1981 except for a period of 17 months when he was a member of the legal staff of Group W Cable.

Community Tele-Communications Inc. has named the division vice presidents of its previously formed operating divisions: **Barry Marshall** was named division vice president of TCI West; **Scott Hügel** was promoted to division vice president of TCI Central; **Jim Oswald** was named division vice president of TCI Northcentral; **Marion Nowak** was named division vice president of TCI Northeast; **Danny Bryan** was named division vice president of TCI Southeast; and **Al Giannotti** was named division vice president of TCI East.

Heritage Communications Inc. has named **Douglas Truckenmiller** vice president of engineering for the Tele-

communications Group. Truckenmiller is currently vice president and chief operating officer for Carolina Metronet of Raleigh, N.C. He has also served as executive director of engineering for Colony Communications Inc.

Midcontinent Cable Co. has appointed **Lloyd Wetenkamp**, general manager of Midcontinent Cable Co., to vice president of Midcontinent's cable television division. Wetenkamp, from 1973 to 1977, served as president of Metro Cable in Minneapolis, and for the past nine years as general manager for Midcontinent Cable Co.



Palmer Communications Inc. has named **Michael Giudicessi** as general counsel. Prior to joining Palmer Communications, Giudicessi was executive vice president and general counsel of Cowles Syndicate Inc. He also has served as assistant general counsel of the Des Moines Register and Tribune Company.



United Video has promoted **Reuben Gant** to the position of corporate relations manager. Gant has been with United Video since 1983, most recently as national sales director for Cable

Arts & Entertainment Network donated \$25,000 to the Curtis W. Davis Scholarship Fund for graduate students in music composition at The Juilliard School in New York, June 26. The fund was established by Julie Davis, Mr. Davis' wife of 28 years in memory of Davis, A&E's vice president of programming, who died May 31 in New York of cancer (CV, 6/23/86, p. 79). Davis had been head of programming since the debut of A&E Feb. 1, 1984.

Those wishing to contribute to the Curtis W. Davis Scholarship Fund may send their tax-deductible donations to Lynne Rutkin, Director of Development and Public Affairs, The Juilliard School, Lincoln Center, New York, N.Y., 10023. Checks, made payable to The Juilliard School, should indicate "Curtis W. Davis Scholarship Fund."

SportsTracker. Prior to joining UV, Gant worked for Satellite Syndicated Systems, and played professional football with the Buffalo Bills.

Albert Clark has been named general manager of M/A-COM's, recently incorporated DBS Authorization Center. Clark's background in the pay TV industry, includes eight years with ON-TV in Los Angeles as vice president of finance, operations and as general manager.



Cheryl Simon, formerly affiliate marketing manager and later Western regional sales manager for Rainbow Programming Services, has been named national sales director for Bravo.



Time Inc. has named eight employees as winners of its fifth annual Andrew Heiskell Awards for "exceptional contributions to public service, equal opportunity and human rights" in their workplace and communities. Included among the 1986 winners are **Michele Clark**, Home Box Office Inc.'s director of original programming, business affairs in New York; **Nathan Garner**, vice president of corporate affairs of Manhattan Cable Television Inc. in New York; and **Jon Scott**, system manager of American Television & Communications Corp.'s Capitol Cablevision system in Charleston, W. Va.



Michele Clark



Nathan Garner



Jon Scott

EVENTS

July

8-10: A **Jerrold Technical Seminar** will be conducted by Len Ecker at the Best Western Hotel, O'Hare, Chicago, Ill. Contact: Joan Thielen, (215) 674-4800.

10-12: The **National Federation of Local Cable Programmers** will meet for its Tenth Anniversary Conference at the Sheraton Palace Hotel in San Francisco, Calif. Contact: Sue Miller Buske, (202) 544-7272.

16-18: **Magnavox CATV Mobile Training Seminar**, St. Paul, Minn. Add'l dates: July 21-23. Contact: (800) 448-5171.

17-19: The **Montana Cable Television Association** will hold its annual meeting and convention at the Grouse Mountain Lodge, Whitefish, Mont. Contact: Tom Glendenning, (406) 586-1837.

17-19: The **Joint North Carolina/South Carolina CATV Associations' Annual Meeting** will be held at the Grove Park Inn, Asheville, N.C. Contact: North Carolina CATV Association, (919) 821-4711.

24-26: The **Colorado Cable Television Association** will hold its summer convention at the Beaver Run Resort, Breckenridge, Colo. Contact: Stephan Durham, (303) 863-0084.

26: The **Business Of Television: The People Who Make It Work** seminar, presented by Long Island University and Julie Osler & Associates, Long Island University Southampton Campus, Southampton, N.Y. Contact: Christine Koch, (516) 283-4000.

27-28: **Idaho Cable TV Association** convention, Shore Lodge, McCall, Idaho. Contact: Jean Westin, (208) 336-9121.

28-30: **New England Cable TV Association** Convention, Dunfee Hyannis Hotel, Hyannis, Mass. Contact: William Durand, (617) 843-3418.

30-Aug. 1: The **Wyoming CATV Association** will hold its annual convention at the

Americana Snow King Inn, Jackson, Wyo. Contact: Bob Meinecke, (307) 733-5200, or Bob Carnahan, (307) 265-3130.

31-Aug. 1: The **Michigan Cable Television Association** will hold its annual Summer Meeting at the Grand Traverse Resort, Traverse City, Mich. Contact: MCTA, (517) 351-5800.

August

5-7: A **Jerrold Technical Seminar** conducted by Len Ecker will be held at the Holiday Inn, Holyoke, Mass. Contact: Joan Thielen, (215) 674-4800.

6: The **Rocky Mountain Chapter of the Society of Cable Television Engineers** will hold a seminar on Headends, TVROs, and the Satellite Scrambling Schemes at the Jones Intercable Conference Center. Contact: Joe Thomas, (303) 978-9770.

6-8: **Mississippi Cable TV Association** convention, Royal D'Iberville Hotel, Biloxi, Miss. Contact: Millie Smith, (601) 544-7943.

12: **New York Women In Cable Screening Picnic**, featuring new pay and basic service presentations, Home Box Office Building, New York. Contact: Sherry London, (212) 661-4500.

14: **Central Coast Cable Club** meeting, San Luis Bay Inn, Avila Beach, Calif. Contact: Dave Mathiesen, (805) 925-9504.

19-21: **C-COR Electronics** will conduct a technical seminar for CATV technicians at the Ramada Inn-Capitol Hill, Hartford, Conn. Contact: Debra Cree, (800) 233-2267, or (814) 238-2461.

19-22: The **Florida Cable Television Association's** annual convention will be held at the Marco Island Marriott, Marco Island, Fla. Contact: Bob Brillante, (904) 681-1990.

26-28: **International Sports Summit**, New York Hilton, New York City. Contact: Monica de Hellerman, (212) 502-5306.

Looking ahead

July 15-17: The **Community Antenna Television Association** will hold its annual convention at the MGM Grand Hotel, Reno, Nev. Contact: CATA, (703) 691-8875.

July 23-25: The 1986 **Eastern Show**, sponsored by the Southern Cable Television Association, will be held at the Atlanta Market Center, Atlanta, Ga. Contact: SCTA (404) 252-2454.

Sept. 15-17: **International Videotex Industry Exposition/Conference**, sponsored by the Videotex Industry Association, Marriott Marquis Hotel, New York. Contact: (703) 522-0883.

Sept. 23-25: The 1986 **Great Lakes Cable Expo**, sponsored by the Illinois, Indiana, Michigan and Ohio cable television associations will be held at the Hyatt Regency/Ohio Center, Columbus. Contact: Daniel Helmick, (614) 461-4014.

Oct. 5-8: The fifth annual **Women In Cable National Management Conference** will be held at the Ritz-Carlton Hotel, Atlanta, Ga. Contact: (202) 296-7245.

Oct. 6-10: The **International Fiber Optic Communications and Local Area Networks Exposition**, sponsored by Information Gatekeepers Inc., will be held at the Orange County Civic Center, Orlando, Fla. Contact: (617) 232-3111.

Oct. 28-30: **Atlantic Cable Show '86**, Atlantic City Convention Hall, Atlantic City, N.J. Contact: (609) 848-1000.

Jan. 7-9: A **Fiber Optics Workshop and Laboratory**, sponsored by the University of Central Florida, will be held at the Americana Dutch Resort Hotel, Walt Disney Village, Buena Vista, Fla. Contact: V. Amico, (305) 275-2123.

Jan. 21-25: The 24th Annual **NATPE Program Conference** will be held at the New Orleans Convention Center, New Orleans, La. Contact: NATPE (212) 949-9890.

September

1-3: The **SPACE** show will be held at the Opryland Hotel, Nashville, Tenn. Contact: Gloria Schnerfinger, (800) 654-9276.

6-10: The Tenth **International FOC/LAN Exposition** will be held at the Orange County Civic Center, Orlando, Fla. Contact: Joan Barry, (617) 232-3111.

8-9: The **Wisconsin Cable Communications Association** will hold its annual fall convention at the Radisson Hotel, LaCrosse, Wis. Contact: Lynne Walrath, (608) 256-1683.

9-11: A **Jerrold Technical Seminar** conducted by Len Ecker will be held in Columbus, Ohio. Contact: Joan Thielen, (215) 674-4800.

17: The **Walter Kaiz Foundation Awards Dinner**, Plaza Hotel, New York. Contact: Anne Fudge, (415) 428-2225.

18: **Women In Cable Washington Chapter Roast of Ted Turner**; proceeds will go to the Better World Society, site to be announced. Contact: Lynn Levine, (202) 872-9200 or Susan Cieslak, (703) 378-3915.

28-30: The **Pacific Northwest Cable Association** will hold its annual convention at the Sheraton Missoula, Missoula, Mont. Contact: Dawn Hill, (509) 765-6151.

30-Oct. 2: The **Mid-America Cable TV Association** annual meeting and show will be held at the Hyatt Regency at Crown Center, Kansas City, Mo. Contact: Rob Marshall, (913) 841-9241.

October

5-7: The **Kentucky CATV Association's** fall convention will be held at the Hyatt Hotel, Lexington, Ky. Contact: Patsy Judd, (502) 864-5352.

8: The **Rocky Mountain Chapter of the Society of Cable Television Engineers** will hold a Long Haul, Microwave and Fiber Optics Seminar. Site TBA. Contact: Joe Thomas, (303) 978-9770.

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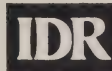
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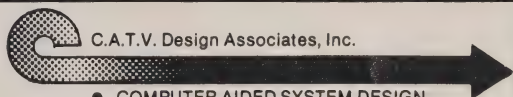
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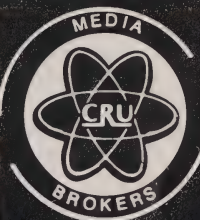
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CABLE STATS

Cable services subscriber count

Satellite-fed national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	225	4,000,000
Alternate View Network	63	1,221,164
Arts & Entertainment (A&E)	2,200	18,000,000
Black Entertainment Television (BET)	590	13,015,183
Cable News Network (CNN)	9,386	33,100,000
Cable Value Network	20	200,000
C-SPAN	2,300	25,000,000
C-SPAN II	300	7,500,000
CBN Cable Network	6,714	30,065,000
Country Music Television	425	6,200,000
The Discovery Channel	673	7,466,618
ESPN	12,113	36,900,000
Eternal Word Television Network (EWTN)	276	4,500,000
Financial News Network (FNN)	1,260	21,400,000
Headline News	3,157	18,039,000
Hit Video USA	41	1,700,000
Home Shopping Network	324	8,000,000
Innovations In Living (HSN2)	15	2,000,000
The Learning Channel	760	6,600,000
Liberty Broadcasting Network	90	1,292,000
Lifetime	2,894	25,100,000
Music Television (MTV)	3,400	28,200,000
The Nashville Network	3,770	24,900,000
National Jewish Television (NJTV)	247	5,569,000
Nickelodeon	4,270	26,300,000
PTL The Inspirational Network	1,300	13,000,000
Pratco	NA	NA
Rock Christian Network	NA	NA
Silent Network	200	6,500,000
SIN Television Network	383	33,673,300
Tempo Television	608	12,100,000
Trinity Broadcasting Network	423	6,171,000
USA Network	6,500	31,000,000
Video Hits One	750	11,900,000
The Weather Channel	2,019	20,200,000
WGN-TV	7,666	19,723,000
WOR-TV	1,877	8,430,680
WPIX-TV	160	2,500,000
WTBS-TV	10,436	36,078,000

Pay services

American Extasy	6	60,000
American Movie Classics	200	420,000
Bravo	240	360,000
Cinemax	3,300	3,700,000
The Disney Channel	2,858	2,550,000
GalaVision	234	183,000
Home Box Office (HBO)	6,900	14,600,000
Home Theater Network (HTN)	350	300,000
Showtime	3,200	5,400,000
The Movie Channel	3,250	3,250,000
The Nostalgia Channel	125	350,000
The Playboy Channel	580	732,000
Private Ticket	4	NA

Audio services

Cable Radio Network	15	1,100,000
KKGO Super Jazz	15	828,000
Lifestyle	152	1,943,776
Lifestyle AC	15	679,936
Moody Bible Institute	62	748,782
Satellite Radio Network	50	403,000
Studioline	NA	NA
Tempo Sound	89	1,262,393
WFMT Chicago	154	1,149,000

Text services

AP News Cable	325	4,300,000
AP News Plus	30	700,000
Cable Sportstracker	14	547,000
DBC/MarketWatch	NA	NA
Electronic Program Guide (EPG)	267	5,500,000
EPG Jr.	41	40,433
Genesis Cable Storytime	25	975,000
Reuters News View	325	3,250,000
TV Decisions	120	3,420,000
UPI Data Cable	450	4,000,000
X*Press	58	500,000

Non-satellite-fed national services

Bicycled services	Affiliates	Subscribers
Cable Auto Showcase	5	400,000
Fuji Network	5	11,044
Nippon Golden Network	5	11,044
Vector Consumer News	12	325,000
Vector Consumer Shopping Guide	15	407,000

Regional entertainment services

Basic services	Affiliates	Subscribers
Atlanta Interfaith	7	150,000
Bay Area Religious Channel (BARC)	4	93,000
Buffalo Sabres Hockey	9	400,000
Cable TV Network of New Jersey	36	1,045,000
The Ecumenical Channel	7	148,000
KTVT	88	2,022,000
Life Newsvision	24	36,000
Madison Square Garden	67	1,900,000
Meadows Racing Network	14	446,000
MetroChannel	1	118,000
Prime Ticket	36	1,300,000
SportsVision (Chicago)	28	300,000
Texas Cable Network	15	646,000

Pay services

Dodgervision	44	935,000
Home Sports Entertainment—Houston/Dallas	86	135,800
Home Team Sports	68	300,000
New England Sports Network	130	110,030
PRISM-Philadelphia	91	365,000
Pro-Am Sports	104	99,318
SportsChannel (New England)	96	222,082
SportsChannel (New York)	53	433,000
Z Channel	21	95,000

Announced services

Satellite-fed services

ABC Pay-Per-View service	4th Quarter 1986
Apollo Entertainment Television	TBA
The Book Channel	TBA
The BuenaVision Channel	TBA
Cabletix	4th Quarter 1986
Comedy Television	9/86
Discovery Computer Network	1987
Discovery Financial Network	4th Quarter 1986
Discovery Music Network	TBA
El Canal Musical	4th Quarter 1986
Ethnic Radio Networks	TBA
EventTelevision	9/86
International Business Network	4th Quarter 1986
Magicable	TBA
Movie Time	1st Quarter 1987
QVC Network	4th Quarter 1986
Sofcast/National Digital Network	3rd Quarter 1986
The Success Network	1/87
Telstar Channels	6/86
The Travel Network	4th Quarter 1986
Tunnelvision	4/87

Note: Figures for affiliate and subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Attention Cable Stats, P.O. Box 5208-T.A., Denver, CO 80217.
NA denotes not available.
TBA denotes to be announced.

National cable advertising

This chart lists national advertisers on the basic cable networks. Some listings are partial.

Arts & Entertainment

American Express (R)
Architectural Digest
Armour-Dial (R)
AT&T (various divisions) (R)
Canon (N)
Chevron (N)
Diner's Club (R)
Dole Sorbet (N)
Ford Motor Co. (R)
Fortune Magazine (R)
General Motors (R)
Gillette (N)
Grey Poupon (N)
MasterCard (N)
Metropolitan Life (N)
Mrs. Dash Seasonings (N)
New Yorker Magazine (R)
Natural History Magazine (R)
Pommery Wines (N)
Ralston-Purina (R)
Time Magazine (R)
Visa (R)
Wells Fargo (R)
Zales (N)

BET

American Beauty Products (R)
Anheuser-Busch (R)
C.B. Fleet Co. (N)
Carson Products (R)
Coca-Cola (R)
Dressner Communications (N)
Eastman Kodak (R)
Ford Motor Co. (R)
General Mills (N)
Hershey (R)
J.C. Penney (R)
Johnson & Johnson (R)
KFC Corp. (R)
M&M Products Co. (R)
MGM Entertainment (R)
McDonald's (R)
Mobil Oil (R)
NAACP (N)
Onyx Communications (N)
Pepsi Cola (R)
Pro-line (R)
Procter & Gamble (R)
Quaker Oats (R)
Seagram Wine Co. (N)
Sears Roebuck & Co. (R)

Thompson Medical (R)
Warner Bros. Records (N)
Warner Lambert (R)
Wendy's International Inc. (R)

C-SPAN*

AFSCME
Centel
DuPont
Gannett Foundation
General Instrument
John D. & Catherine MacArthur Foundation
McKesson Corp.
National Education Assoc.
Northern Telecomm.
NuMedia Corp.
Times Fiber
Time Inc.
TLL Temple Foundation

The Discovery Channel

† American Heritage
Architectural Digest
Barron's Weekly
Bird Talk
Cat Fancy
Changing Times Magazine
Charles Schwab
Consumer Reports
CUNA Life Insurance
Dreyfus Fund
Field Publications
Forbes Magazine
Golf Digest
Guidepost Magazine
Home Magazine
Life Magazine
McCall's Magazine
National Business Employment Weekly
National Geographic World Magazine
Newsweek Magazine
Prudential Insurance
Psychology Today
Standard & Poors
The New Yorker Magazine
Time + Life Books
Transamerica Insurance
TV Guide
U.S. News & World Report
Wall Street Journal

FNN

All-American Sports (N)

American Cyanamid (N)
American Express Gold Card (N)
Anheuser-Busch (R)
Apache Trading (N)
AT&T (R)

Best Western (N)
Bureau of Business Practices (N)
Charles Schwab (R)
Chicago Board of Trade (N)
Chicago Mercantile Exchange (N)

Chrysler (R)
Clayton Brown (N)
Computer Sports (N)
CSX Corp. (N)
Diner's Club (N)
Dow Jones (R)
Dreyfus (N)
Emery Air Freight (N)
Forbes Magazine (N)
Ford Corp. (R)
GMAC (R)
Golden Nugget (N)
The Hartford Insurance (N)

Harris Corp. (N)
Hong Kong Tourist Bureau (R)
International Trading Group (N)
Intex (N)
ITT (R)
Kansas City Board of Trade (R)
Merrill Lynch (R)
Minolta (N)
Navistar (N)
Norelco (N)
Northwest Orient Airlines (N)

Nynex (R)
Paulson Investments (N)
Paramount Home Video (N)
Reichold Chemical (N)
Rockwell (N)
Rolex (N)
Stroh's Beer (N)
United Rare Coin (N)
USA Today (N)
U.S. Postal Service (N)
Wall Street Journal (R)
Western Futures (N)
Xerox (R)
Zweig Forecast (R)

Charles Schwab (R)
Esquire Magazine (N)
Forbes Magazine (N)
Home Magazine (N)
Time + Life Books (R)
Wall Street Journal (R)

The Silent Network

Campbell's Soups
Hallmark Cards
Kal Kan
Mattel Toys
Ultratec TDD

Tempo Television †

AT&T
Bass Pro Shops
Bayer
Beechnut
Budweiser
Casio
Chum'n Rub
Continental Airlines
Evenflo
Fisher-Price
Gerber
Heinz
Hilton Hotels
Huggies
Ivory Snow
Johnson & Johnson
Johnson Reels
Johnson Silver Minnow
Kodak
Little Stinker Bate Co.
Maytag
National Rifle Assoc.
Norelco
Playboy Magazine
Playtex
Redman Chewing Tobacco
Rubbermaid
Sears
Time + Life Books
Tropicana
United Airlines
Valvoline
Vaseline
Windjammer
Yamaha

R denotes renewal client.

N denotes new client.

†New and renewal information not available.

*Listing is comprised of program underwriters.

Source: Advertising clients are provided by the programs services to International Thomson Communications Inc.

The Learning Channel

California Beef Council (R)

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FROM WASHINGTON

Scrambling controversy remains unabated

The most recent efforts of some Congressmen to legislate a business for third-party packagers of scrambled satellite programming undoubtedly came as no surprise to cable industry leaders in Washington, who by now must be numbed by the repeated congressional attempts to dictate the structure of the nascent C-band direct business.

Indeed, the storm of scrambling controversy swirling around Congress during this election year shows no sign of abating. As the events of the past year have indicated, some in Congress have determined that the competitive marketplace for the distribution of scrambled programming has not worked, despite the fact that this marketplace is barely a few months old.

The latest legislative "solution" to the scrambling "problem" is the "Satellite Television Programming Act," introduced by Rep. Dan Coats, R-Ind., which would authorize the FCC to prohibit the scrambling of any satellite-delivered programming which "is not readily available for private viewing at competitive prices."

While Coats' bill differs from the half dozen other proposals, since it wouldn't mandate federal regulation of programming rates, certain of Coats' recommendations ring more ominous than rate regulation. For example, if the FCC found that a "competitive market" for a given service did not exist in a specific area, the FCC could force the programmer to authorize all decoders in that area—enabling dish owners to again view the programming for free. Such a provision would seem to frustrate Congress' stated intent of guaranteeing access to programming at "reasonable" prices, although some radicals within the TVRO industry would no doubt claim that "free" sounds reasonable enough.

Given the relative youth of the C-band direct market, it becomes difficult, at times, to pinpoint the "problems" the Congressional remedies purportedly would resolve. Indeed, Showtime and HBO are already engaged in competitive selling to TVRO owners. Many MSOs plan to offer a package of services in and around their franchise areas. TCI and the National Rural Electric Co-operative Association have both proposed vehicles to deliver packages to truly rural dish owners. And both HBO and Showtime are reincarnating their C-band packaging plans.

But if there is evidence of some progress in so immature a market, then why the fuss in Congress over scrambling? Well, it is, after all, an election year, and in terms of interest back home, scrambling has generated more calls and letters from irate dish-owning constituents than mundane topics such as tax reform, federal budgets and aid to Nicaraguan *contras*.

As a result, TVRO proponents in Congress would mandate a foothold for third-party packagers aiming to make money in the C-band direct business. Regardless of the symbiotic relationship between operators and programmers in the past, it's becoming clear that to an ever-growing number of legislators, any packaging plan that smacks of cable control will likely be unacceptable. As Rep. Tom Luken, D-Ohio, bluntly put it at the House hearing, since cable is allegedly a "natural monopoly," any packagers must be "other than cable."

Indeed, Congressional leaders have already offered to help one would-be packager—NRECA—obtain rights to programming. Rep. Tim Wirth, D-Colo., told NRECA that Congress would "work with you as closely as possible" to help NRECA launch its business. Such blatant support must certainly please NRECA, which claims it can provide a package of services to rural residents for about \$10 per month. And it probably can, since the member co-ops would likely be making a substantial profit by selling and leasing dishes.

The upshot of all this is that the cable industry may not be able to weather this storm on the merits of its arguments. And perhaps the only development which will forestall legislation will be for operators to concede their hoped-for grip on programming distribution outside of (and perhaps within) their franchise areas. Programmers, meanwhile, are finding that the political climate may dictate with whom they do business. Concerning control of the embryonic direct broadcast satellite market, it appears that the entrenched interests may have run into a buzz-saw far more formidable than the marketplace itself.

—John Wolfe
Bureau Chief

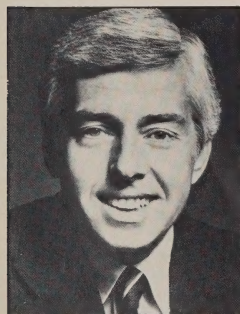
If you advertise or market with sports, you have to be at the 8th International Sport Summit



Since 1973,
the world's premier meeting place
for big business in the sport business

August 26-28, 1986, at the
New York Hilton.

The Sport Summit has a dual purpose: to help develop big new business in the sport business—in sport event planning, sport media, marketing, advertising, television, sponsorship, research and licensing—and to efficiently inform its participants of emerging trends which will keep them growing as a sport business.



Peter Lund, President of CBS Television Sports, to address 1986 Sport Summit.

You will find out trends of the sport event industry from such elite of sport executive officialdom as: Otto Jelinek, Minister of Sport of Canada (host to the 1988 Olympics); Robert Helmick, President, USOC; Joseph Cloutier, President, "Indy 500"; Adrian deGroot, President, NBA Properties; Harry Drnc, Managing Director, Anheuser-Busch, Europe; Fred Lebow, President, New York Marathon; Peter Lund, President, CBS Sports; Joel Nixon, V.P., NHL; Robert Wussler, President, WTBS (Turner Broadcasting); Robert Bell, Exec. V. P., LCA/Warner Communications;



Four Olympic Gold Medalists with Robert Wussler, President of WTBS/Turner Broadcasting, and Robert Helmick, President of the USOC. Wussler and Helmick will speak at the 1986 Sport Summit.

James Connelly, Director, International, NFL Properties; Gary Davy, Head of Television, Sky Channel, U.K.; Robert Kennedy, President, Screen Sport, U.K.; Vince McMahon, World Wrestling Federation; Adrian Metcalfe, Managing Director, Sports, Channel 4 TV, U.K.; Robert Mulcahy, Chairman & CEO, New Jersey Sports & Exposition

Authority; Elizabeth Phillips, V.P., Event Marketing, Needham Harper Worldwide.

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N.Y. Governor Mario Cuomo greets Korean Sport Minister, host to '88 Summer Olympics, at the 1985 Sport Summit.

For exhibit, advertising and attendance information about new business in the sport business, contact: Monica de Hellerman, Sport Summit, 372 Fifth Avenue, New York, N.Y. 10018, at (212) 502-5306 or (212) 239-1061.

The show to watch?

Reactions to the arrival of Senate TV/C-SPAN II:

"There is nothing as boring as the Senate. Sominex will go out of business."

—Sen. William Proxmire (R.Wis.); from *Newsday* (6/3)

"It may not take the place of *Dallas*, but it may take Fort Worth."

—Former Senate Majority Leader Howard Baker; from *Newsday* (6/3)

"Cable systems that refuse to make the Senate sessions available are cheating their subscribers and failing to live up to the responsibilities of their exclusive franchises."

—*Los Angeles Times* editorial (6/4)

"We're not much in the way of entertainment (but) this is the show to watch."

—Sen. Albert Gore (D-Tenn.); from *The Washington Post* (6/3)

Video commerce

Home Shopping Network thoughts...

"If not the birth, this is the infancy of a trend beyond the wildest dreams of yesterday's merchant princes and mail order catalogue magnates. Without leaving home, you can now buy something you had no idea you wanted or needed."

—Dan Rather, introducing Charles Osgood's HSN report on the *CBS Evening News* (6/6)

"Viewers who always thought the Veg-O-Matic commercials were the best part of television now have a network they can love... and it is playing to raves on Wall Street."

—*New York Times* correspondent Peter Boyer (6/13)

"These commercial channels have been looked at as something desirable for years, but people were afraid they wouldn't work. But as far as we're concerned, it's a free-for-all. The more the better. People try what they want and if it works, more power to them."

—Analysis of the home shopping network universe from William Johnson, official with the Federal Communications Commission's cable bureau; from *The New York Times* (6/13)

"Maybe someday you'll be able to buy things like boats, automobiles and living room furniture on our (service). It wouldn't surprise me at all."

—Bill Fahey, one of HSN's hosts; from *The New York Times* (6/13)

"There's no absence of people who want to play, but how many of them are the cable systems going to allow? There are only so many channels. And are there enough people willing to spend enough money to support three or four of these things?"

—John Reidy, Drexel Burnham Lambert's media analyst; from *The New York Times* (6/13)

"If there's not room for two players, we intend to be the lead horse."

—Theodore Deikel, C.O.M.B.'s chairman, speaking to *New York* magazine (6/16 issue)

Cable complexities

And other situations—

"We're like radio, we're like broadcast, we're like print—we're like all of them. What we have to start doing is think of ourselves not as utilities, but as audience deliverers."

—Thom McKinney, Group W Cable's advertising sales vice president, speaking before Minorities In Cable's New York chapter (6/10)

"Nielsen will have to find a way to deal with the cable subculture. Our success is their problem, but our success is real."

—John Washington, advertising sales vice president at MTV Networks, speaking before Minorities In Cable (6/10)

"Cable today is a high-tech delivery system transporting a multitude of entertainment and information services to the television set. But the product is still developing, and increasingly cable will be connected not just to a TV set or FM receiver, but to home computers, telephones, traffic signal lights and mainframe computers."

—Paul Temple, Rogers Cablesystems' product development director

"We're more aggressively evolving than maybe we have in the past. At least, it's being noticed now."

—MTV Senior Vice President/General Manager Tom Freston; from *The New York Times* (6/12)

"At the moment, I'm just trying to keep up."

—Julie Brown, MTV's newest VJ, interviewed by *The New York Times* (6/12)

Cable merchants

Charles Osgood whips up poetic Americana observations better than most broadcast journalists. Devotees of the *CBS Sunday Night News* believe it; so do listeners to his CBS Radio Network weekday morning newscasts and *Newsbreak/The Osgood File* commentaries.

Osgood's way with language received a rare *CBS Evening News* platform June 6, and Home Shopping Network was the subject on display.

"America is a nation of shoppers. We love to shop and we keep finding new ways to shop," Osgood began. "Main Street once had a corner on the butcher, the baker and candlestick maker. Then came one-stop shopping at the shopping mall, and now once again there's something new in shopping... no-stop shopping at home by way of television. From its flashy new studios in Clearwater, Fla., (HSN presents) a nonstop cable TV bazaar, a supercharged computer age selling show with bells, flashing lights and horns and hosts who are part carnival pitch man—and part entertainer."

"It's not just the viewers who are excited about it. Wall Street is too," he noted, given the service's stock price rise from \$18 a share when its public offering broke two months ago to \$60 plus at the moment. "A little impulse buying perhaps?"

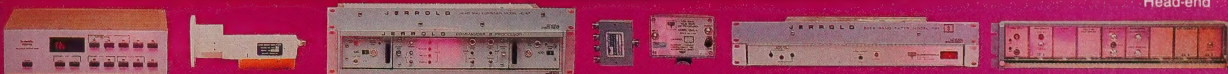
Absolutely, but not necessarily justified, responded financial columnist Dan Dorfman in *New York* magazine's June 16 issue. It's easy to see why investors are trusting HSN's brand of kitsch-and-pitch, when nine months of national exposure has attracted over \$100 million in sales and \$11 million in net income. But Dorfman, a regular analyst on Cable News Network's *Moneyline* and *Moneyweek*, is concerned about the venture's long-term course.

"HSN has yet to prove its staying power in a relatively new business that's rapidly attracting brisk competition," Dorfman wrote. "But given the strong stock market and the hot reception accorded many new public offerings, investors are apparently throwing caution to the wind."

Yet HSN may have an Achilles heel in affiliate contracts that allow 90-day grace periods at the end of each year when systems can pull out of the fold. That may come into play if Cable Value Network—or another business—develops into strong usurpers of HSN's audience and revenue share, Dorfman warned.

Satisfaction guaranteed.

Head-end



We stand solidly behind every piece of cable equipment we sell.

Test equipment



Head-end through drop materials, it performs the way we say, or we'll correct it — immediately.

Distribution



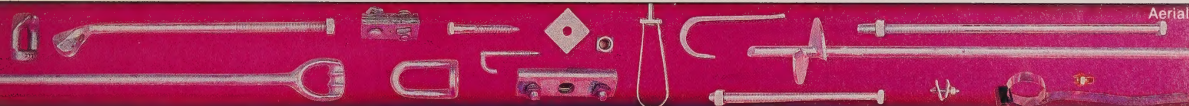
All items carry the manufacturer's full warranty.

Taps & connectors



We'll also compete with any distributor on price, selection, delivery, and service.

Aerial



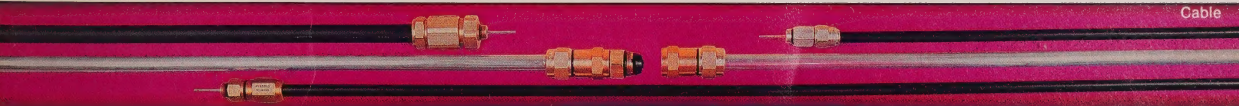
We stock all major brands, and can tailor packages to your needs.

Underground



Items arrive when you need them, not sooner or later.

Cable



And our engineers and technicians can answer any questions you have about design, installation, or field performance.

Housedrop



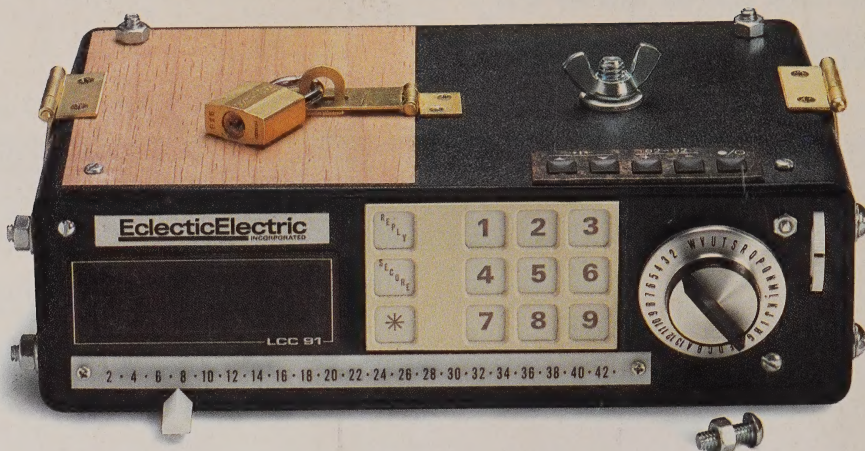
Call Cable Services with your next order, or for a free catalog: **1-800-233-8452.** (In PA, call 1-800-332-8545)

Tools and safety

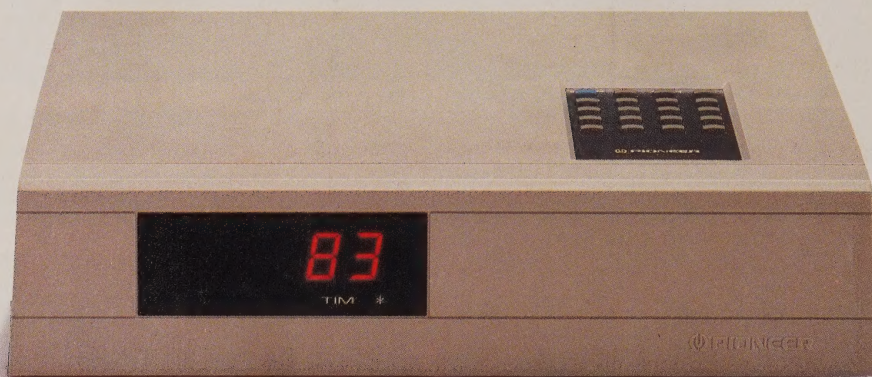


Cable Services Company/Inc.

2113 Marydale Avenue, Williamsport, PA 17701



OR



Incompatible scrambling between different brands of converters creates operational headaches. Just ask anyone who's trapped by one scrambling method. Or locked into one source of supply.

At times you feel like you're forced to haphazardly "patch" together several types of obsolete converters — just to offer your system the necessary functionality and scrambling compatibility.

But today there's a better solution. Now you can purchase the BA-5000 addressable converter which consolidates the scrambling methods of Jerrold, Oak, Hamlin, and Sylvania into one converter.

If you're dissatisfied with your converter, the reliable BA-5000 can be integrated into any system using a compatible scrambling method. And if you're managing more than one system, each using different scrambling, the BA-5000 becomes an immediate second source of supply for your entire business. Imagine the inventory reduction and operational consolidation that one single converter in all your systems can mean.

Call us today at 1-800-421-6450 and find out how quickly the BA-5000 works to improve your system performance.

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